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IN THE

Supreme Court of the United States

Term,

No. .

NATIONAL DRYER MANUFACTURING CORPORATION, NATIONAL DRYER SALES CORPORATION, AND JACK ACKOFF, INDIVIDUALLY AND TRADING AS JACK ACKOFF COMPANY,

Petitioners,

v.

THE NATIONAL DRYING MACHINERY COMPANY,

Respondent.

PETITION OF NATIONAL DRYER MANUFACTURING CORPORATION, NATIONAL DRYER SALES CORPORATION, AND JACK ACKOFF, INDIVIDUALLY AND TRADING AS JACK ACKOFF COMPANY, FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

To the Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

The petition of National Dryer Manufacturing Corporation, National Dryer Sales Corporation, and Jack Ackoff, individually and trading as Jack Ackoff Company, for a writ of certiorari to review two judgments of the United States Court of Appeals for the Third Circuit entered December 22, 1955, respectfully represents:

I. Opinions in the Courts Below.

The District Court of the United States for the Eastern District of Pennsylvania entered two decrees, both dated April 27, 1955, in two Civil Actions which were tried together. Chief Judge William H. Kirkpatrick wrote an opinion which was filed in one of the actions and which disposed of the issues in the other action. This opinion, entered February 15, 1955, is appended, and is reported at 129 F. Supp. 389. The Requests for Findings of Fact and Conclusions of Law of the parties, which are referred to in the opinion, appear at pages 82a, et seq., of the consolidated joint appendix.

The Court of Appeals for the Third Circuit filed a per curiam opinion on December 22, 1955 affirming the decrees of the trial court. This opinion, which is unreported, is appended.

II. Statement of the Grounds on Which the Jurisdiction Is Invoked.

A. The Court of Appeals for the Third Circuit entered two judgments on December 22, 1955, affirming the two decrees of the United States District Court for the Eastern District of Pennsylvania.

B. There were no orders respecting a rehearing or granting an extension of time within which to petition for certiorari.

C. The statutory provision believed to confer on this Court jurisdiction to review the judgment by writ of certiorari is Act of June 25, 1948, c. 646; 62 Stat. 928; 28 U. S. C. 1254.

III. The Question Presented for Review.

May the respondent, The National Drying Machinery Company, which uses the word "National" as a registered trade-mark in connection with the sale of industrial drying

machinery, prevent the use of that word as a part of the names of the corporate petitioners and as a part of the trade-mark used by them solely in connection with the sale of an electric hot air hand dryer for use in washrooms, where there is no competition between the parties, where there are substantial differences between the products, customers, advertising methods and distribution systems of the parties, and where the customers of the parties are sophisticated and will exercise a high degree of care before buying the products of either?

IV. The Statute Involved in the Case.

The respondent has a trade-mark which was registered originally under the Act of 1905 and again under the Act of July 5, 1946, c. 540; 60 Stat. 427; 15 U. S. C. 1051. Respondent sought relief under the remedial provision of the 1946 Act which reads as follows:

> "Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this chapter, except that under sub-section (b) of this section the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowl-

edge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers." 15 U. S. C. § 1114 (1).

V. Statement of the Case.

The Respondent brought an action against Jack Ackoff, individually and trading as Jack Ackoff Company, one of the Petitioners, in the United States District Court for the Eastern District of Pennsylvania, charging Ackoff with infringement of the Respondent's common law and statutory trade-mark rights and with unfair competition. Jurisdiction was based upon the trade-mark laws of the United States, 15 U. S. C., Sections 1051-1127.

National Dryer Manufacturing Corporation and National Dryer Sales Corporation, for whom Ackoff acted as an exclusive distributor, subsequently brought an action in the U. S. District Court for the Eastern District of Pennsylvania seeking an injunction against the Respondent's announced intention to use the word "National" in connection with the sale of an electric hand dryer, and for a declaration that the use of the word "National" by these two petitioners did not infringe any rights of the Respondent and did not constitute unfair competition. Those two corporations are organized under the laws of the State of Illinois, and the Respondent is organized under the laws of Pennsylvania. Jurisdiction in this action was based upon diversity of citizenship.

The action by the Respondent against Ackoff and the action by the other two Petitioners against the Respondent were tried together before Chief Judge William H. Kirkpatrick, sitting without a jury, who filed an Opinion on February 15, 1955 in which he concluded that the Petitioners infringed the common law and statutory trade-mark rights of the Respondent. Decrees were entered on April 27, 1955 in both actions enjoining the Petitioners from using the word "National" in connection with the sale of

the hand dryer. The decree against the two corporate Petitioners included an order for an accounting for profits which was subsequently deleted by an order filed May 10, 1955. The Petitioners appealed from the two decrees to the U. S. Court of Appeals for the Third Circuit. The Respondent appealed from the action of the trial court in eliminating the order for an accounting for profits. The three appeals were dismissed by the U. S. Court of Appeals for the Third Circuit in a per curiam opinion filed December 22, 1955. Your Petitioners pray this Honorable Court to issue a writ of certiorari to the U. S. Court of Appeals for the Third Circuit to review the judgment of that Court dismissing the two appeals of the Petitioners.

The Respondent was organized under the laws of Pennsylvania in October of 1951 to conduct a business which had been originated in 1923 by a New Jersey corporation bearing the same name. The New Jersey corporation had gone out of existence in 1937, and from 1937 until 1951 the business was conducted under the same name but first as a partnership and then as a sole proprietorship.

The Respondent and its predecessors have been engaged in the business of manufacturing and selling custom type drying machinery. By and large, it takes standard components such as fans, doors, panels, structures, and the like and adapts or groups them to suit the needs of its customers. The average sale price of its dryers is between $5,000 and $20,000. The average size of its dryers is 10 feet by 10 feet by 20 feet or 30 feet. Fifty to sixty percent of the gross business of the Machinery Company is in the manufacture and sale of drying machinery to the textile industry. Another thirty percent is in drying machinery used in the pharmaceutical and chemical industries. The balance of its business is in miscellaneous drying machinery, some of which is used in the synthetic and plastics industries.

The Respondent has never manufactured and sold an electric hand dryer, nor has it ever manufactured and sold

a hair dryer of the type used in beauty parlors. It has sold a few clothes dryers for household use but not in any quantity, and obviously without any idea of making this type of dryer a regular part of its business.

On March 18, 1930 the Respondent's predecessor was granted a trade-mark registration consisting of the word "NATIONAL" in capital letters, printed in an irregular line across an outline map of the United States. The mark was again registered in 1952 under the 1946 Trade-Mark Act. The registration disclaims the map of the United States although the map is actually used with the word "National" as a trade-mark. The Respondent has used this mark since September of 1929.

The Petitioners have manufactured and sold a small standardized electric dryer, which is affixed to the walls of a washroom, for drying the hands, hair and face by means of hot air. The hand dryers are produced in large quantities, and the suggested retail price is $142.50. This hand dryer was conceived by a George S. Clemens who in May of 1948 organized the National Dryer Corporation for the purpose of manufacturing and selling the hand dryer. In the spring of 1950 the National Dryer Sales Corporation, one of the Petitioners, was organized by strangers to Clemens to sell this hand dryer, and in April of 1952 the National Dryer Manufacturing Corporation, another of the Petitioners, was organized by the owners of the Sales Corporation to purchase all of the assets of the National Dryer Corporation and to continue the manufacture of the hand dryer. Ackoff, the remaining Petitioner, became an exclusive distributor for the hand dryer in the summer of 1953, which relationship was terminated by mutual agreement in February of 1954. The word "National" has been used as a part of the names of the corporate Petitioners or their predecessor since 1948. They have used the trademark "The National Dryer" and more recently "The National Hand Dryer" in connection with the sale of the electric hand dryer. This use of the word "National" was

begun without any knowledge of the existence of the Respondent, its business name and trade-mark. Approximately seventy percent of the hand dryers are sold for installation in schools, public buildings and restaurants and to transportation companies. The balance are sold to hospitals, amusement parks, industries, utilities, service stations, hotels, and the like.

The parties do not advertise in the same periodicals, and they use different channels of distribution.

VI. Reasons Relied on for Allowance of Writ.

A. In holding that Respondent is entitled to protection of its weak and non-fanciful trade-mark "National" as to goods with respect to which the Respondent has never used the trade-mark, the decision of the Court below is in conflict with decisions in other circuits.

In *Hyde Park Clothes, Inc. v. Hyde Park Fashions, Inc.*, 204 F. 2d 223 (C. A. 2d, 1953) the Court of Appeals for the Second Circuit permitted the use of the trade-mark "Hyde Park" by the junior user on women's clothing despite the fact that the senior user used the mark on men's clothing.

In *Arrow Distilleries, Inc. v. Globe Brewing Co.*, 117 F. 2d 347 (C. A. 4th, 1941), the Court of Appeals for the Fourth Circuit permitted the junior user to use the trade-mark "Arrow" on cordials and liqueurs while the senior user was using the mark on beer.

In *California Fruit Growers Exch. v. Sunkist Baking Co.*, 166 F. 2d 971 (C. A. 7th, 1947), the Court of Appeals for the Seventh Circuit, in an opinion by Mr. Justice Minton, permitted the junior user to use the trade-mark "Sunkist" on baking products while the senior user used the same trade-mark on citrus fruits, and on canned and dried fruits and vegetables.

In *Sunbeam Lighting Co. v. Sunbeam Corporation*, 183 F. 2d 969 (C. A. 9th, 1950) the Court of Appeals for the

Ninth Circuit permitted the junior user to use the word "Sunbeam" as part of its corporate name which was affixed to fluorescent lighting fixtures manufactured and sold by it despite the fact that the senior user used the word as part of its corporate name and also as a trade-mark in connection with household electric appliances and utensils. The Court of Appeals for the Ninth Circuit has also permitted the use of the word "Sunbeam" as a part of a corporate name by a furniture manufacturer, *Sunbeam Furniture Corporation v. Sunbeam Corporation,* 191 F. 2d 141 (C. A. 9th, 1951).

B. In permitting the Respondent to prevent the use of his weak trade-mark "National" on goods with respect to which it has never used the trade-mark, the Court of Appeals has decided an important question of federal law under the Trade-Mark Act of 1946 which has not been, but should be, settled by this Court.

VII. Argument.

The courts below have permitted the Respondent to prevent the use of the word "National" with respect to goods which it has not heretofore manufactured and sold. The extension of such protection to a weak trade-mark of this character is contrary to the decisions in the other circuits.

The Respondent uses the word "National" as a part of its corporate name and as a trade-mark in connection with the sale of certain types of drying machinery. Fifty to sixty percent of the gross business of the Respondent is in the manufacture and sale of drying machinery for the textile industry. Another thirty percent is for the chemical and pharmaceutical business. The balance of its business is in miscellaneous drying machinery, some of which is used in the synthetic and plastic industries. The Respondent is in the business of manufacturing and selling custom type drying machinery. By and large, it takes standard components such as fans, doors, panels, structures, and the like, and adapts or groups them to suit the needs of its customers for a particular type of drying machinery. On the average, its dryers are mammoth in size in comparison with the hand dryer, and the average sale price is between $5,000 and $20,000. It advertises in periodicals designed to reach the customers in the textile, chemical and pharmaceutical fields.

The Petitioners use[1] the word "National" as part of their corporate names and as part of the trade-mark "The National Dryer" and more recently "The National Hand Dryer" in connection with the sale of a small standardized electric hot air dryer which is affixed to washroom walls and is used for the drying of hands, face and hair. Seventy percent of the sales of the Petitioners are for installation in washrooms of schools, public buildings, restaurants and

(1) With the exception of Ackoff, who no longer distributes the hand dryer and who, therefore, makes no present use of the word "National".

transportation companies. The balance of their business is for installations in washrooms of hospitals, amusement parks, industries, utilities, service stations, hotels, and the like.

The Respondent's products are custom type, large in size, with a substantial sale price. The Petitioners' product is a small standardized item with a suggested retail price of $142.50. It is obvious that different merchandising problems are involved in the distribution of these products. The Respondent sells to customers who have an obvious need for a drying machine in connection with their productive facilities. Its sales are accomplished by means of two distributors who divide the Eastern part of the United States between them and by salesmen who operate out of the Philadelphia office.

Anyone with a washroom is a potential customer for the hand dryer, but the primary merchandising problem in connection with the sale of the hand dryer is to convince the prospective customer of the superiority of the hand dryer over cloth and paper towels. The hand dryer is distributed by means of twelve distributors and approximately twelve to fifteen dealers together with about twenty to twenty-five sub-dealers who operate under the distributors. None of the distributors of the hand dryer handle products which are in any way similar to the drying machinery manufactured and sold by the Respondent. It should be noted that the Respondent does not manufacture and sell any dryer which is merchandised in the same fashion as a hand dryer. On the one hand, the Respondent adapts its products to fit the obvious needs of its potential customers for a drying machine; and on the other hand, the Petitioners produce a standard item which must be sold as such by convincing the potential customer of the need for the hand dryer and its superiority over cloth and paper towels.

It is obvious that the customers of both parties will be for the most part careful and discerning. This is not a

situation in which the products are purchased over the counter in a casual fashion by the general public.

The word "National" is about as weak a trade-mark as there can be. This was found as a fact by the trial court, and there was ample evidence to show the frequent use of the word both as a trade name and as a trade-mark. As stated at the outset, the decisions in this case extend the protection afforded to such a weak trade-mark beyond that afforded to such marks in the other circuits and, in fact, to an extent denied in those other circuits.

In *Hyde Park Clothes, Inc. v. Hyde Park Fashions, Inc.*, 204 F. 2d 223 (C. A. 2d, 1953), the plaintiff used the trade-mark "Hyde Park" in connection with the manufacture and sale of men's clothing, particularly suits. In 1945 the defendant began the use of the same mark on women's clothing. The Court of Appeals for the Second Circuit pointed out that the interests of the owner of a trade-mark who seeks to extend it to cover goods on which he has never used it are two: the possibility that the trade practices of the defendant may stain the reputation of the plaintiff; and the possibility that the plaintiff may wish to extend his business into the market which the defendant has already begun to exploit. These interests are to be weighed against the interests of the defendant in preserving whatever goodwill he has acquired under the name and marks he has adopted. In that case the Court of Appeals for the Second Circuit affirmed a denial of relief to the plaintiff.

It is submitted that the trade-mark "Hyde Park" is certainly no weaker, and probably considerably stronger, than the trade-mark "National", and that the similarity between men's clothing and women's clothing is even greater than the similarity of the products of the parties in this case, especially in view of the fact that clothing is distributed and marketed in the same fashion and is sold to the same general class of customers, which similarity does not exist in the instant case.

In *Arrow Distilleries, Inc. v. Globe Brewing Co.,* 117 F. 2d 347 (C. A. 4th, 1941), the Court of Appeals for the Fourth Circuit permitted the use of the trade-mark "Arrow" on cordials and liqueurs as well as on beer. Here again, the trade-mark is certainly no weaker than the one involved in the present suit, and the products are at least as similar as the products in the instant case.

In *California Fruit Growers Exch. v. Sunkist Baking Co.,* 166 F. 2d 971 (C. A. 7th, 1947), the Court permitted the use of the name "Sunkist" on bakery products and on citrus fruits and canned and dried fruits and vegetables. "Sunkist" is a stronger trade-mark than the word "National", and bakery products are as closely allied to fruits and vegetables as are the products of the respective parties here. Further, the products were sold in grocery stores to the same class of consumers, namely housewives. Although the quotations from the opinion of the trial court in the *Sunkist* case suggest that the trial court decided the case on the basis of the Trade-mark Act of 1905, it is clear that the Court of Appeals decided the case on the basis of the provisions of the Lanham Act.

In *Sunbeam Lighting Co. v. Sunbeam Corporation,* 183 F. 2d 969 (C. A. 9th, 1950), and *Sunbeam Furniture Corporation v. Sunbeam Corporation,* 191 F. 2d 141 (C. A. 9th, 1951), the Court of Appeals for the Ninth Circuit permitted the use of the word "Sunbeam" as a part of the corporate names of two companies who made fluorescent lighting fixtures in the one case and household furniture in the other, and despite the objections of Sunbeam Corporation which used the word as a trade-mark as well as a part of its corporate name in connection with electric household appliances.

In each of the foregoing cases, weak trade-marks were denied protection in fields in which they had not previously been used, and primarily because of the weakness of the marks. In the instant case the courts below have protected an admittedly weak mark in a field in which it has never

been used by the Respondent. Had this case been instituted in the Seventh Circuit where the hand dryer companies are domiciled, the decision in the *Sunkist* case, *supra,* would undoubtedly have been controlling and would have resulted in a decision for the petitioners. This conflict in the decisions among the circuits should be resolved and this Court should issue a writ of certiorari in order to resolve it.

In addition, the entire question of the extent to which a weak trade-mark is entitled to protection under the Lanham Act (July 5, 1946 c. 540; 15 U. S. C. A., Sec. 1051) in so far as related fields are concerned is an important federal question which has not yet been, and should be, passed upon by this Court. In this case the Petitioners and their predecessor adopted the word "National" as part of their corporate titles and as part of their trade-mark without knowledge of the existence of the Respondent or of its trade-mark. They have persisted in the use thereof, despite the objections of the Respondent and despite the institution of this litigation, in the honest belief that they were entitled to do so. In this connection, of course, the decisions referred to previously in the Argument have indicated to the Petitioners that their position in this regard has been correct. In the normal conduct of their business affairs, businessmen should be able to tell, with a greater degree of certainty than is presently possible in view of the state of the authorities, when the adoption and use of a weak trade-mark may involve infringement, if at all, of the rights of those in a related field.

The granting of protection to a trade-mark has been said to create lawful monopolies, *Eastern Wine Corporation v. Winslow-Warren, Ltd.,* 137 F. 2d 955, 957 (C. A. 2nd 1943). Attempts to extend such protection of a weak mark to goods on which the mark has never been used represent an unwarranted extension of the monopoly which other courts have condemned, *California Fruit Growers Exch. v. Sunkist Baking Co., supra.* Because of the public interest in preserving competition in our economic system, this

Court should review the decision below and point out the extent to which such monopolies will be permitted to expand.

The need for clarification by this Court in so far as the effect of the Lanham Act is concerned has been discussed in "Trade-mark Infringement and Confusion of Source: Need for Supreme Court Action", 35 Va. L. R. 214 (1949).

It is submitted that the conflict between the decision of the Court of Appeals for the Third Circuit in this case and the decisions of the other circuits referred to and the necessity for clarification on the question of the extent of protection to be granted to a weak trade-mark in a field in which it has not been used, are reasons justifying a review by this Court on writ of certiorari of the judgments entered by the Court of Appeals for the Third Circuit in these cases.

Respectfully submitted,

DANIEL MUNGALL, JR.,
JAMES E. GALLAGHER, JR.,
Counsel for Petitioners.

IN THE

UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA.

CIVIL ACTION. No. 15589.

THE NATIONAL DRYING MACHINERY COMPANY

v.

JACK ACKOFF, INDIVIDUALLY AND t/a JACK ACKOFF COMPANY.

Opinion

Sur Pleadings and Proof.

(Filed February 15, 1955.)

Before KIRKPATRICK, *Ch. J.*

The plaintiff is engaged in manufacturing hot air drying machines for industrial use, principally in the textile field. Ackoff, the record defendant, sold electric hand dryers manufactured by National Dryer Manufacturing Corporation and distributed by National Dryer Sales Corporation. He has raised a number of defenses and filed a counterclaim based on the activities of his suppliers, and, so far as the trademark phase of this case is concerned, it will simplify the discussion if these two companies are treated as one and called "the defendant".

The plaintiff has been continuously engaged in business (under the same business name) and has been using its trademark upon its drying machines since at least 1929.

The trademark was registered under the Act of 1905 and was, on March 25, 1952, re-registered under the Act of 1946. As registered, it consists of the word "National" in capital letters printed in an irregular line across an outline map of the United States. The registration, however, disclaims the map and the plaintiff relies entirely upon the word, "National". The defendant and its predecessors have manufactured and sold their hand dryer since 1948 or thereabouts and, since January 1950 the defendant has continuously used the words "National Dryer" as its trademark.

I find it to be the fact that use by the defendant of its trademark has caused confusion and deceived prospective purchasers as to the source or origin of the defendant's machines and that it is likely to continue to do so in the future. This is the basis for liability under the Act of 1946. That Act dropped the limitation contained in the corresponding section of the Act of 1905 to the effect that the defendant must have used the registered mark on merchandise of substantially the same descriptive properties as those set forth in the registration. There is a difference of judicial opinion as to the limits of protection given to a trademark. Even under the narrowest view—the one which accords protection only in cases where there is not only a likelihood of confusion of source but also actual competition is the trademarked articles—a manufacturer will be protected if the product on which his trademark is being used by another is fairly within the normal field of expansion of his business, because it would be natural for purchasers acquainted with the former business and the mark to assume that the new product bearing the same mark was produced by the same manufacturer.

In the present case the defendant's argument is, in effect, that the evidence produced by the plaintiff of actual instances of confusion is so slight as to be negligible and that likelihood of confusion is negatived by the difference in the articles sold by the parties, the methods of merchan-

dising and the class of customers addressed by each through advertising and solicitation. To this the defendant adds the admitted fact that the mark is a weak one, that the defendant has without fraudulent intent built up a considerable goodwill of its own and that the plaintiff's declaration of its intention to engage in the manufacture of hand dryers competing with the defendant's is, at least, suspect. There is no suggestion that there is any real danger of the plaintiff's product being brought into disrepute by the defendant's use of the name and, actually, the case comes down to the question whether the trademark owner will be protected in a field which he has not actually entered, and this in turn depends upon whether the field is one which might be considered in the line of normal expansion of his business.

Many of the facts upon which the defendant relies may be admitted. The plaintiff's business, as of today, is almost exclusively confined to large expensive drying machines which are commonly manufactured according to the individual needs of the purchaser and are intended for use in connection with industrial processes. The defendant manufactures a small, comparatively low-priced item which it markets through distributors for the retail trade, the ultimate customers being, generally, hotels, schools, public institutions and the like, and some industrial plants.

It is an impossible task to draw from the precedents a rule which will fit every case as it arises. I can only say that, from all the evidence, I have reached the conclusion that the manufacture of hot air hand dryers is a field so closely connected with what the plaintiff is doing at the present time that it can be considered an area of normal expansion of the plaintiff's business.

It must be conceded that "National" is almost as weak a mark as can be found. However, it is quite likely that a purchaser would have some difficulty in explaining which product he desired if he should try to identify it by its trade name. He would have to ask for prices on a "National"

dryer as distinguished from a "National Dryer" or vice versa. If a trademark, however weak, is to retain any validity, a manufacturer must be protected against a competitor's placing his customers in such a dilemma.

As to the special defenses raised by the defendant, the evidence falls short of sustaining any of them.

I find that the plaintiff's claim is not barred by laches, that the plaintiff is not estopped in this action by acquiescence in the defendant's use of the mark and that there has not been on the part of the plaintiff such acquiescence in the use of the mark by persons other than the defendant as would amount to abandonment or loss of the right to enforce the mark.

I do not find that the defendant has ever attempted the fraudulent use of the trademark or that it adopted it with any intention of misleading customers or palming off its machines as the plaintiff's, but neither can I find that its use has been innocent. It certainly used the mark after it knew or should have known of the plaintiff's rights. Whether it did so in "good faith" depends upon what meaning one gives that somewhat elusive term. At any rate, it is no defense that it ill-advisedly continued to assert rights to which it may have honestly believed it was entitled but which it did not have.

The present suit was instituted against Jack Ackoff who was selling the alleged infringing goods in this district. In late July or August 1953, he entered into negotiations looking toward his becoming the exclusive agent for the sale of the hand dryers in this territory. However, before binding himself to a fixed quota, he wished to test the product in the market. As a result, he acted as an exclusive agent from August 1953 until February 1954 at which time he concluded that the line could not well be handled by him, and his exclusive agency terminated. He continued thereafter as a retail dealer for a few months and then broke off his relationship with his suppliers entirely. His answer and counterclaim raised certain issues of laches and prior

use by his suppliers, etc., which it is doubtful that he could raise unless he were an exclusive agent. However, though I have found these defenses were without merit and that the counterclaim cannot be sustained, I should add that they are not subject to dismissal because of his inability to avail himself of them.

In spite of the fact that Mr. Ackoff no longer handles the infringing dryer, an injunction will issue against him in view of the distinct possibility that he would again do so. In view of the fact that the plaintiff does not at the present time manufacture any goods which would compete with the goods Mr. Ackoff sold, I cannot award the plaintiff more than nominal damages. However, I do award the plaintiff the costs of this suit, since at the time it was instituted and carried on Mr. Ackoff was engaged in the wrongful activity complained of.

Judgment may be entered for the plaintiff.

The statements of fact and law in the opinion are to be taken as modifying the answers to requests for findings of fact and conclusions of law and, in case of any conflict between the answers and the opinion, the statements in the opinion shall govern.

PLAINTIFF'S REQUESTS FOR FINDINGS OF FACT.

Nos. 1, 2, 5, 14, 16, 17, 21, 22, and 24 are affirmed.

Nos. 4, 6, 8, 9, and 10 are not answered since they are not requests for fact findings.

Nos. 11, 12, and 15 are affirmed except for the first sentence of each.

No. 3. Not answered. It is adequately covered in answers to other requests.

No. 7. Affirmed, striking out the last part of the request beginning "and wilfully and wantonly". This is adequately covered in the opinion.

No. 13. Denied.

No. 18. Affirmed with the qualification that "National" is a part of the trademark of the Sales Company. See opinion.

No. 19. They are substantially the same.

No. 20. Not answered as immaterial.

No. 23. Affirmed, changing the word "or" the first time it appears to "and".

No. 25. Affirmed, but limited to trademarks on drying machinery.

DEFENDANT'S REQUESTS FOR FINDINGS OF FACT.

Nos. A1, A3, A4, A5, B3, B4, B5, B6, C1, C2, C3, D1, D3, D4, F2, F4, F5, F6, and F7 are affirmed.

Nos. D5, E1, E2, E3, E4, and E5 are not answered since they are not requests for fact findings.

No. A2. Affirmed with the qualification that its production is not limited to the assembling of standard parts and it has produced a few clothes dryers. The Court does not wish to adopt the word "commercially", since its meaning is too indefinite.

No. B1. Affirmed, changing the word "Machinery" to "Manufacturing" wherever it appears in the request.

No. B2. The facts stated are correct. The motives are immaterial other than that the persons who chose the names thought them suitable and, except for the Sales Company, there is no evidence to show that they knew of the National Drying Machinery Company.

No. D2. Affirmed as stated.

No. E6. Denied.

No. F1. Affirmed as qualified by the discussion in the opinion.

No. F3. Affirmed, but it must be borne in mind that pressing requires the drying of the material and this press was not intended as a dryer in any other sense.

PLAINTIFF'S REQUESTS FOR CONCLUSIONS OF LAW.

Nos. 1, 2, 3, 5, 9, 10, 13, 14, 17, 20, and 24 are affirmed.

Nos. 4, 7, 8, 12, 19, and 21 are denied.

No. 6. Denied, there is no evidence of unfair competition except trademark infringement.

No. 11. See opinion.

No. 15. Affirmed, striking out the last sentence.

No. 16. Affirmed, changing "any type of dryer" to "these types of dryers".

No. 18. Affirmed, but limited to use of the word as a trademark.

No. 22. Affirmed, striking out "and other types of dryers". This is not intended as a limitation on the scope of the trademark, but the Court can only decide cases presented to it.

No. 23. Not answered, covered in the opinion.

No. 25. Not answered.

DEFENDANT'S REQUESTS FOR CONCLUSIONS OF LAW.

Nos. 1, 2, 5, 6, and 7 are denied.

No. 3. Affirmed.

No. 4. See opinion.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 11,639

NATIONAL DRYER MANUFACTURING CORPORATION AND NATIONAL DRYER SALES CORPORATION,

Appellants,

v.

THE NATIONAL DRYING MACHINERY COMPANY.

No. 11,640

NATIONAL DRYER MANUFACTURING CORPORATION AND NATIONAL DRYER SALES CORPORATION,

Plaintiffs,

v.

THE NATIONAL DRYING MACHINERY CO.,
Defendant-Appellant.

No. 11,641

THE NATIONAL DRYING MACHINERY COMPANY,

v.

JACK ACKOFF, INDIVIDUALLY AND TRADING AS JACK ACKOFF COMPANY,
Appellant.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF PENNSYLVANIA.

Argued December 5, 1955

Before McLaughlin, Kalodner and Hastie, *Circuit Judges.*

Opinion of the Court.

(Filed December 22, 1955)

Per Curiam.

These three appeals arise out of two cases which were consolidated for trial. In No. 11,641, National Drying Machinery sued Jack Ackoff, individually and trading as Jack Ackoff Company, as distributor for National Dryer Manufacturing Corporation and National Dryer Sales Corporation. That suit was started on July 23, 1953. It charged Ackoff with unfair competition and trade-mark infringement in the use of the word "National" in connection with the sale of an electric hot air hand dryer. On March 12, 1954, the manufacturing corporation and the sales corporation sued the machinery company seeking a declaratory judgment that they were not violating any rights of the machinery company and an injunction against the latter from using the word "National" in the hand dryer field. The machinery company in its answer and counterclaim asserted its right to the use of the word "National" on drying machines and asked for an injunction against the manufacturing and sales corporations including restraint from using the word "National" as a trade-mark for any type of drying machines.

In both cases Chief Judge Kirkpatrick decided that the machinery company is the sole owner of the trade-mark National as applied to drying machines. Ackoff in No. 11,641 and the manufacturing and sales corporations in No. 11,639 were held to have infringed the statutory and the common law rights of the machinery company. They were all perpetually enjoined from selling or in any way dealing with drying machines under the trade-mark National or any business name which includes the word Na-

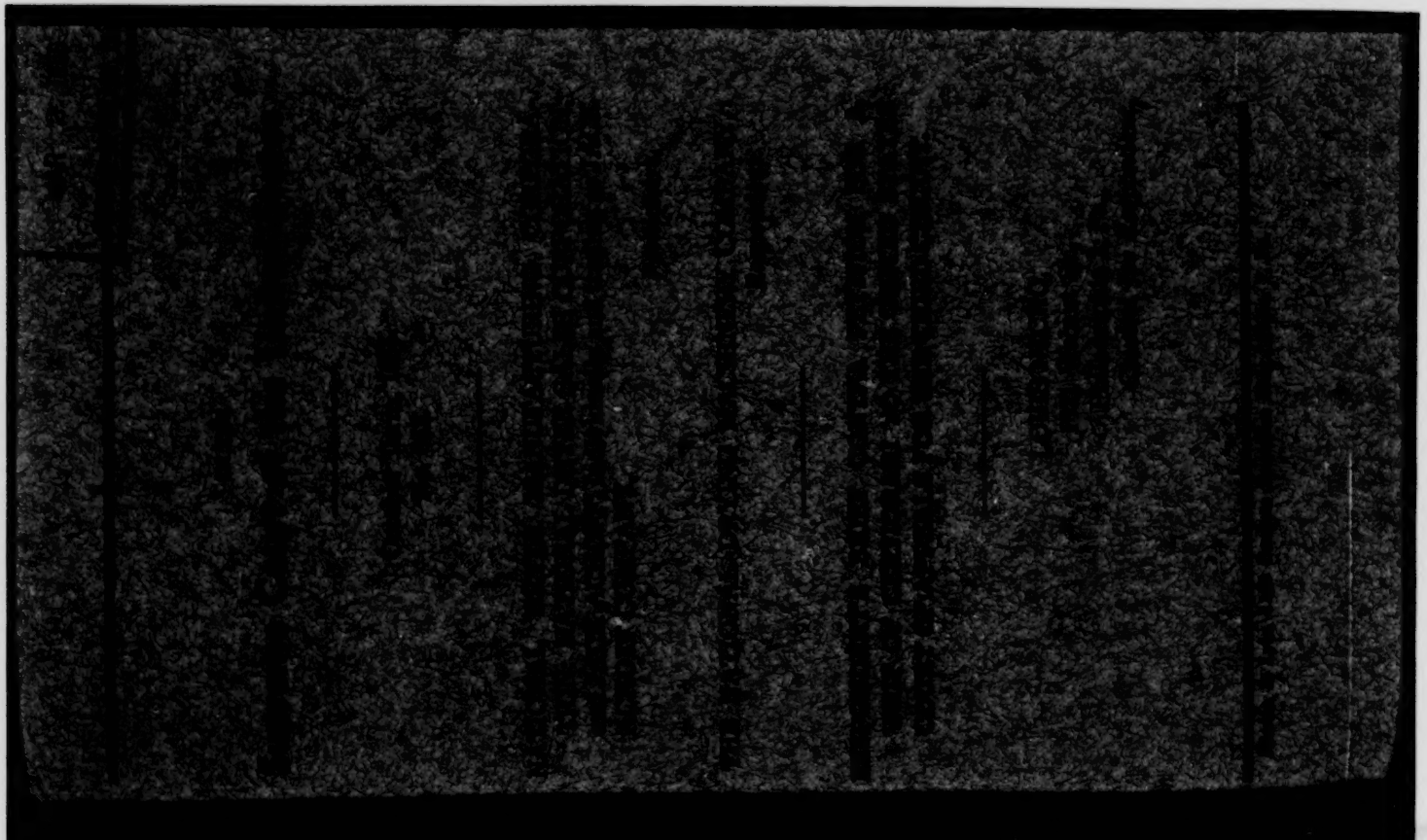
tional. In the second suit, originally the decree ordered the manufacturing and sales corporations to pay the machinery company all their profits from the sale of drying machines" [f]rom January 1950 to date." Later the trial court amended the decree by striking that language. It is from this action of the district court that the machinery company appeals in No. 11,640.

From our review of the record we are satisfied that it furnishes strong support for the decision of the district court as to the ownership of the trade-mark National by The National Drying Machinery Company and that Jack Ackoff, individually and trading as Jack Ackoff Company and National Dryer Manufacturing Corporation and National Dryer Sales Corporation infringed the statutory and common law rights of the machinery company.

With respect to the machinery company's claim for profits, the trial court is correct in its finding that there is no proof of any damages suffered by that concern and that the injunctions granted afford it complete relief. Under the equities of these cases the trial court's disallowance of an accounting of profits was proper. Champion Spark Plug Co. v. Sanders, 331 U.S. 125 (1947). Cf. Mishawaka Mfg. Co. v. Kresge Co., 316 U.S. 203 (1942). Century Distilling Co. v. Continental Distilling Co., 205 F.2d 140 (3 Cir. 1953) concerned a far different factual situation. It does not conflict with the above holding.

The denial of the motion on behalf of the machinery company for an allowance of counsel fees was well within the discretion of the trial court.

The decrees in these cases will be affirmed.



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OPINIONS OF THE COURTS BELOW.

The statement of Petitioners relating to the opinions of the Courts is accepted by Respondent.

STATEMENT OF THE GROUNDS ON WHICH JURISDICTION IS INVOKED.

The statement of Petitioners relating to the grounds of jurisdiction is accepted.

THE APPLICABLE STATUTES.

The applicable statutes, etc., are: Act of February 20, 1905 (as amended) formerly U. S. C. Title 15, Sec. 81, et seq.; Act of July 5, 1946, U. S. C. Title 15, Sec. 1051, et seq. The pertinent sections of above acts appear in appendix hereto attached.

THE QUESTIONS PRESENTED FOR REVIEW.

1. May Petitioners, in 1950, use Respondent's trademark which was registered under the Act of 1905, formerly U. S. C. Title 15, Sec. 81, et seq., and on the Principal Register under the Act of 1946, U. S. C. Title 15, Sec. 1051, et seq., merely because Respondent who makes many types of drying machines and who is equipped to make all types of drying machines, had not as yet made the *exact* dryer made by Petitioners?

2. Is a hand or hair dryer a related field into which Respondent (who is the sole owner of NATIONAL as a trade mark on drying machines, and who has used it extensively for about thirty years) may expand?

3. Is the use by Petitioners of NATIONAL as a trade mark, and as a business name, likely to cause confusion, as the two Courts below found it did?

STATEMENT OF THE CASE.

The Joint Appendix filed by Petitioners shows that:

1. The ownership and the validity of the trademark and of its registration are not in question.

2. Respondent has been in the business of making drying machines since 1920 (19a) and has continuously, and exclusively used "NATIONAL" as a trademark on, and in connection with, all of its products, and as the dominant part of its business name since that time. Respondent has constantly expanded its line of manufacture and now makes many types, and is prepared to make all types, of drying machines. The business of respondent has grown from some $75,000.00 per year in the middle 20's to $2,500,000.00 for the year 1952 (21a), which is the last year to which reference can be made within the confines of the record. In addition to the dryers mentioned by Petitioners, Respondent also makes a small swatch, or sample, dryer which, except for the pedestal on which it rests, is as small as the dryer made by Petitioners and sells for about the same price (38a). By merely opening the door of this dryer, it can be used for drying hands or hair, the same as the dryer of Petitioners. In its entire history, Respondent never received any communication, written or oral, from

any prospective customer inquiring after a product made by anyone other than by Respondent. But, shortly after the advent of Petitioners, Respondent began to receive letters (131a-156a inclusive) from some of the largest industries, and from all over the United States and from outside the United States, inquiring after the dryers made by Petitioners. At first, and as an act of courtesy, Respondent forwarded all such inquiries to Petitioners, but, when the inquiries continued to be received, and on the advice of counsel as to the necessity of protecting its trademark rights, Respondent, on September 18, 1951, wrote Petitioners informing them of the confusion, and requesting Petitioners to desist from further use of the mark (76a). At that time Petitioners had been in business a relatively short time and could have readily changed over to some other mark. Instead of doing the decent thing, Petitioners defiantly replied that they will continue to use the mark until "a court of last resort" should order them to stop using it (160a). Respondent brought suit in the District Court of the United States for the Southern District of Illinois, but, because of improper service due to an interim change in the corporate setup of Petitioners, that suit was dismissed without prejudice. Respondent next brought suit in the United States District Court for the District of New Jersey against Eastern Enterprises, Inc., then the exclusive distributor for Petitioners. Petitioners first undertook, and then abandoned, the defence of this suit which was terminated by a consent decree in favor of Respondent. Respondent then brought suit in the District Court for the Eastern District of Pennsylvania, against Jack Ackoff, the Philadelphia distributor of Petitioners, and during the pendency of this suit, Petitioners brought suit against Respondent to enjoin Respondent from using its own mark on hand dryers.

The District Court found that both Petitioners and Respondent offered their machines as National Dryers; that the use by Petitioners of the mark on drying machines

and as the dominant part of their business name caused, and would continue to cause, confusion and that Respondent had a natural right to expand its business into the field of hand drying machines under its trademark and business name. The Circuit Court of Appeals affirmed the judgment of the District Court in the following words:

> "From our review of the record we are satisfied that it furnishes strong support for the decision of the District Court as to the ownership of the trademark National by The National Drying Machinery Company and that Jack Ackoff, individually and trading as Jack Ackoff Company and National Dryer Manufacturing Corporation and National Dryer Sales Corporation infringed the statutory and common law rights of the machinery company."

ARGUMENT.

The Statutes.

The Act of 1905, U. S. C. formerly Title 15, Sec. 81, et seq., forbade the use of a colorable imitation of a registered mark on goods of "substantially the same descriptive properties". Under this definition, Petitioners' drying machines, and Respondent's drying machines both of which heat air and propel it against the object to be dryed are indisputably of "the same descriptive properties", and the use of the mark by Petitioners infringed Respondent's registration under the Act of 1905.

In order to enlarge the scope of protection vouchsafed a trademark owner, the framers of the Act of 1946, U. S. C. Title 15, Sec. 1051, et seq., deliberately discarded the narrow test of "the same descriptive properties" under which one Court went as far as to say that cake flour was not of the same descriptive properties as bread flour, *France Milling*

Co., Inc. v. Washburn-Crosby Co., Inc., 7 F. 2d 304 (C. A. 2d, 1925), and adopted a more liberal test which holds that *mere likelihood* of confusion is enough for a finding of infringement.

The concurrent findings of the courts below that Petitioners infringed Respondent's trademark rights were made under U. S. C. Title 15, Sec. 1114, the pertinent portion of which reads as follows:

> "Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use *is likely to cause confusion* or mistake or to deceive purchasers as to the source of origin of such goods or services; * * *" (Emphasis supplied.)

and, under Sec. 115 (a) of the same Act the pertinent portion of which reads as follows:

> "Any certificate of registration * * * of a mark on the Principal Register * * * shall be prima facie evidence of registrant's exclusive right to use the mark * * * on the goods * * * specified in the certificate * * *".

Furthermore, the Act of 1905 recognized technical marks only and the Act of 1920, which was provided for registration of non-technical marks, was unanimously held by the courts not to confer any rights.

Recognizing that even a non-technical mark which is not registrable on the Principal Register when it is first adopted, may, by continued use, become a technical mark, Congress enacted, Title 15, Sec. 1052 (f) which provides for registration on the Principal Register, of a trade mark which is not "merely descriptive" of the goods, after such mark shall have been in "substantially" exclusive and continuous use for a period of five years. Therefore, even if Respondent's

mark when first adopted did suffer from this disability, the wholly exclusive and continuous use of the mark by Respondent for a period of thirty years should, by now, have wholly cured it and made it a full fledged technical mark. But, Respondent's mark did not belong to this category. In fact the Patent Office which is charged with the duty of determining the merits of a mark, registered Respondent's mark under the Act of 1905 (116a), and on the Principal Register under the Act of 1946 (117a), without benefit of Sec. 1052 (f) of the Act.

The Act of 1905, formerly Title 15, Sec. 96, merely declared that a trademark registration shall be prima facie evidence of ownership. The Act of 1946, Title 15, Sec. 115, supra, goes further and declares that a registration on the Principal Register "shall be prima facie evidence of registrant's *exclusive* right to use the registered mark in commerce on the goods or services *specified in the certificate* subject to any conditions or limitation stated therein ——" (Emphasis supplied.)

In the case at bar, Respondent's registration which is on the Principal Register merely recited "drying machines" without any limitation to any particular types of drying machine.

U. S. C. Title 15, Sec. 1115 (a), supra, also provides that the accused may set up certain defenses, but in the case at bar, no defence of any kind is advanced. The position of Petitioners is simply that, because Respondent has not yet sold the exact dryer, they have the right to use the mark even though the letters received by Respondent show actual confusion and even though the Act of 1946 gives the registrant the exclusive right to use the mark on the goods mentioned in the registration and even though the District Court and the Court of Appeals both found that Petitioners have no such right.

The Cases Cited in Petitioners' Argument.

In referring to the cases cited in their argument, Petitioners merely inform this Honorable Court of the ultimate result in each case, albeit, not with that degree of fullness and clarity to which this Court is entitled. Petitioners altogether avoid any mention of the reasons underlying the results. This compels Respondent to comment on the cases relied on by Petitioners so as to dispel the misleading impression which might otherwise persist. In so doing, the cases will be dealt with in the order in which they appear, beginning on page 11 of the Petition.

The first case cited by Petitioners is that of *Hyde Park Clothes, Inc. v. Hyde Park Fashions, Inc.*, 204 F. 2d 223 (C. A. 2d, 1953). In the trial of this case all *statutory considerations were waived* and the case was decided on *common law rights* only. Because no actual confusion was shown, and presumably in an effort to apply the doctrine laid down in *United Drug Co. v. Rectanus*, 248 U. S. 90, the Court permitted both parties to use the mark. But, Petitioners do not point out that the decision in the *Hyde Park* case was not per curiam and that Clark, C. J., dissented, in the following language, which is as logical as it is strong.

> "Plaintiff * * * has had the misfortune * * * so it seems to me * * * to come before a panel of this court allergic to the doctrine historically associated with us, because of its virtue, by our most illustrious judges, in protecting trade names against competition which will create confusion as to the source of goods sold under such names. The chance of the assignment calendar, which has so operated against Plaintiff, might have as easily brought it to success—judging by the most recent cases on this issue before us. The unanimous decision in each instance * * * two, in fact, reversing decisions below * * * of another panel. Miles Shoes, Inc. v. R. H. Macy & Co., 2 Cir. 199 F. (2) 602, certiorari denied 345

U. S. 909, 73 S. Ct. 650; Pastificio Spiga Societa per Azioni v. DeMartini Macaroni Co., 2 Cir., 200 F. 2d 325; Admiral Corp. v. Penco, Inc., 2 Cir., 203 F. 2d 517. These cases all present the issue of confusion as to source, but to my mind no more and even perhaps less sharply than does this.

* * * * * * * *

The majority's view of the statutory test seems to me to encourage an element of partiality in this field based on a wholly irrelevant consideration, namely the trier's response to the apparent fairness, or unfairness, of the acts of a defendant considered from his own standpoint. This I fear is too subjective a reaction to be anything but a pitfall for the Court. Under such a concept, it will be comparatively easy for most competitors to shield themselves from any challenge by ostentations, ignorance of his own business and its ramifications until they have successfully appropriated another's title. Meanwhile the confusion of customers and the destruction of another's business can go on with impunity so long as the competitor can show purity of his own purpose."

In the case at bar, Petitioners also proclaimed their ignorance of Respondent's rights when they adopted the mark. But, judging by their continued use of the mark when they were notified of Respondent's rights, which was shortly after they began using the mark and when their investment in the mark was non-existent, or very small, it is either not true that they did not know or it would not have made any difference anyway.

Petitioners next rely on the case of *Arrow Distilleries, Inc. v. Globe Brewing Co.*, 117 F. (2) 347 (C. A. 4th, 1941). In this case the Court of Appeals, on page 351, stated its findings as follows:

(1) "It was shown that the manufacture of beer and ale and the manufacture of cordials and liqueurs are

separate industries. In the first instance the product is fermented while, in the second, it is distilled. The two industries may not be lawfully maintained on the same premises under federal statutes. An experienced witness testified, without contradiction, that he knew of no person who made both kinds of goods. It goes without saying that a purchaser desiring an article in one class could not be misled into accepting an article in the other * * *.

(2) Nine times, it (the mark) has been registered for *alcoholic* beverages including ale, beer and *whiskey*." (Emphasis supplied.)

Because the mark had been registered nine times for alcoholic beverages, and finding no evidence of actual confusion, the court held that the mark Arrow may be used for both beer and liqueurs. By contrast, Respondent's mark has not been used or registered for any drying machines to anyone other than Respondent. The relevancy of this case to the grant or denial of the instant Petition, or to merits of the controversy, as a whole, wholly escapes Respondent.

The next case relied on is that of *California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F. 2d 971 (C. A. 7th, 1947). Petitioners' summary of this case is even less informative, if that is possible, than its presentation of the preceding case. In the *Sunkist* case, the Court of Appeals noted that the case is being decided under the Act of 1946, and set aside the decision of the District Court on the ground that it was based on the test of "same descriptive properties" which had no application under the Act of 1946. The Court then made a finding of its own to the effect that "fruits and vegetables are not of the same general class of merchandise" and that they are not goods of the "same descriptive properties."

In addition to these findings, the Court, in the California case, was influenced, if not wholly swayed, by untoward circumstances which are at least suggestive of unclean hands, if not bad faith, on the part of the owners of the

mark. In this case, there were two plaintiff corporations: California Food Growers Exchange and California Packing Co., and one of the companies used "Sunkist" and the other used "Sun Kist" on the same merchandise. In dealing with this phase of the case, the Court at page 975 said:

> "There is another strange aspect about this confusion which the Plaintiffs contend is likely to occur. It will be observed that Plaintiffs have launched into the market two classes of goods under the marks "Sunkist" and "Sun Kist" which goods are much more nearly of the same class and descriptive properties than the Defendant's bread is of the same descriptive properties as any of the products of the two Plaintiffs; and this is all done without confusion because the parties have agreed, forsooth, that there shall be no confusion. Granted the plaintiffs had the right to contract away the public's likelihood of confusion from their closely related products * * * their cry that there is a likelihood of confusion of the source of a loaf of bread * * * with their fruits and vegetables under the same name is hardly audible to us. When a customer bought a jar of jelly under the word "Sunkist" he could not be confused as to whether it came from California Fruit Growers Exchange or California Packing Corp., but if he bought a loaf of bread under the name "Sunkist," he was likely to think that he bought it from one or the other of the Plaintiffs * * * With *such hocus pocus* with the trade name "Sunkist", we shall ask to be excused when we are admonished by these *dividers of confusion by contract* to hear their Vice President and manager shout confusion on behalf of the purchasing public. (Emphasis supplied.)

Respondent is at a loss for words with which to characterize the reliance of Petitioners on a case characterized as hocus pocus by the Court of Appeals which decided it.

Petitioners next cited the case of *Sunbeam Lighting Co.*

v. Sunbeam Corp., 183 F. (2) 969 (C. A. 9th, 1950), and *Sunbeam Furniture Corp. v. Sunbeam Corp.*, 191 F. 2d 141 (C. A. 9th, 1951). Here again this Honorable Court is only informed that the Court below permitted the use of the word "Sunbeam" as part of the corporate name of the defendant. Petitioners, characteristically, failed to inform the court why this was done and that, in both of these cases, the use of Sunbeam *as a trade mark on lamps was enjoined* even though Sunbeam Corporation, the owner of the mark, did *not make or sell any lamps.*

The reason for permitting the use of the word "Sunbeam" as part of the business name of Defendant was summarized by the Court of Appeals as follows:

> "In the Sunbeam Lighting Co. v. Sunbeam Corp. supra, we limited the scope of the injunction granted by the trial court, defining it to include portable fluorescent lamps sold by Sunbeam Lighting Co. * * *"

After affirming the principle that fanciful marks would be more broadly protected than non-fanciful marks, the Court of Appeals pointed out that;

> "* * * in the Sunbeam Lighting Co. case, the remoteness of confusion by the purchaser of electric fluorescent light fixtures with the manufacture of household appliances stemmed largely from the fact that the lighting fixture is ordinarily selected by an architect and installed by an engineer or an electrical contractor. In contrast with 'over the counter' purchase of a kitchen gadget. However, the distinction was not held to apply to portable fluorescent lamps which in common knowledge yield to sale and purchase in a similar manner to the sale and purchase of household appliances. * * *
>
> "* * * It appears reasonable that the prominence with which the word Sunbeam is displayed on the label * * * would lead the shopper to conclude it was one of the household articles commonly sold under the mark Sun-

> beam * * *. We conclude that it was not error for the District Court *to issue its injunction* against * * * the use of the term Sunbeam on * * * lamps." (Emphasis supplied.)

In connection with the *Sunbeam* cases, the Court noted that the word "Sunbeam," had, *prior to its use by Sunbeam Corporation been registered many times for various articles including electric head lights and various household articles such as furnaces, stoves, etc.* In the case at bar, Respondent's mark was never registered for, or used on, drying machines by anyone other than Respondent.

The last case relied on by Petitioners is that of *Eastern Wine Corp. v. Winslow-Warren, Ltd.*, 137 F. (2) 955 (C. A. 2d, 1943). In this case the plaintiff used the mark "chateau Martin" for wines, but long before Plaintiff used this mark, other similar marks such as Chateau Mouton, Chateau Margaux, Chateau Mirat, Chateau Malle, Chateau Montrose, Chateau Malescot, Chateau Madrid, Chateau Madallion, Chateau La Mission, and Chateau La Tour, were used. The Court, on page 959, went on to point out that, since before Plaintiff commenced business there were Chateau Moutin and Chateau Mirat, plaintiff could not have pre-empted every use of Chateau whenever coupled with whatever name began with the thirteenth letter of the alphabet, nor with ones beginning with the thirteenth letter and consisting of six letters. "Chateau" is no more capable of being monopolized than is "Hotel." If plaintiff had advertised a hotel under the name "Hotel Martin" no one would suppose that it could enjoin Defendant from advertising a hotel under the name "Hotel Montay." An eye capable of distinguishing Martin and Mouton would surely not confuse Martin and Montay. An ear which could differentiate Mouton and Martin, whether given in English or French pronunciation, could not fail to differentiate Martin and Martay.

The pertinency of this case, too, completely eludes Respondent.

The Writ of Certiorari.

A. *The Rules of this Court.*

Rule 19 (b) provides that a writ of certiorari may issue when one court of appeals "has rendered a decision in conflict with the decision of another court of appeals on the *same matter* * * *." (Emphasis supplied.)

Under the language quoted, the instant Petition is not in order for the reason that the "matter" now before this Court was never decided by any Court of Appeals other than the Court of Appeals for the Third Circuit. To hold that decisions of other Courts of Appeal in other cases, involving different marks, different facts and different defenses, are decisions on the "same matter" is to rob rule 19 (b) of all of its meaning. This, as Petitioners are undoubtedly aware, is due to the fact that no two cases are alike, and that each case is decided on its own facts. To sustain their Petition on the ground of conflict of decisions on the "same matter" it is necessary for Petitioners to show that two Courts of Appeal rendered different decisions on the same mark and on the same facts. This is obviously and admittedly not the case at bar.

B. *The prior decisions of this Court.*

This Honorable Court has consistently held that concurrent findings of fact by the two courts below will not be disturbed; *General Talking Pictures Co. v. Western Electric Co.*, 304 U. S. 175, 58 S. Ct. 849, and that findings of fact made after hearing by the District Judge, and unquestioned by the Appellate Court, are accepted by the Supreme Court as unassailable; *Alabama Power Co. v. Ickes*, 302 U. S. 464, 58 S. C. 300.

In the case at bar, the District Court and the Court of

Appeals both found, as a fact, that the mark in question belonged to Respondent and that the use of the mark on drying machines by Petitioners caused confusion in the trade. Petitioners do not even try to cast a doubt as to the correctness or justification of the concurrent findings of the two courts below. If the mark is owned by Respondent and if its use by Petitioners was found likely to cause and to have actually caused, confusion, the conclusion of law that Petitioners infringed Respondent's mark becomes inevitable and unassailable.

Summary of Petitioners' Position.

Boiled down to its essentials, Petitioner's position is that because Respondent, in the course of its growth, had not as of 1950, gotten around to marketing dryers exactly like those of Petitioners, Petitioners have the right to use the mark on their dryers. Petitioners could not possibly be serious because the logical corollary of their position is that a third party will then have the right to use the mark on drying machines for drying oats, or on drying machines for drying figs, and so on, ad infinitum, merely because neither of the parties to this cause has heretofore actually marketed such machines. This will result in chaos and neither Petitioners nor Respondent will have anything left.

The Trade Mark In Issue.

The mark NATIONAL has been upheld in every litigation in which it has been involved and with none of the limitations which Petitioners would now have this Court impose, notwithstanding the fact that the Act of 1946 broadened rather than restricted the scope of trademark protection.

See for example: *National Geographic Soc. v. Classified Geographic Inc., et al.,* 27 F. Supp. 655; *National Bank in*

North Kansas City v. Bank of North Kansas, 172 S. W. (2) 967; *National Tool Salvage Co. v. National Tool Salvage Industries*, 68 U. S. P. Q. 118; *In re National Papeterie*, 6 T. M. Rep. 44; *National Cigar Stands Co. v. Frismouth Bro. & Co.*, 297 F. 348; *National Fireworks, Inc. v. National Cooperatives, Inc.*, 51 U. S. P. Q. 412; *Western Clock v. Sears Roebuck*, 5 T. M. Req. 464; *National Cloak & Suit Co. v. Londy & Friend*, 211 F. 760.

A further point to be considered is the effect upon the trademark rights of old established concerns who use such marks as National Biscuit, National Geographic and many others, if Petitioners' position that because "National" is "weak" it can be used indiscriminately by one and all, is upheld.

In their argument, Petitioners take the position that unless they are permitted to use Respondent's trademark, our economic system of free enterprise will collapse for lack of free competition. Just why Petitioners cannot sell their goods under some other trademark is not made clear unless it is because, understandably, they prefer to use a trademark which has already been endowed with nation-wide good will at the expense of another, rather than spend their own money popularizing a mark of their own, with their own money.

Conclusion.

Having shown that the issue at bar is of no importance to anyone except to Petitioners and to Respondent; having shown that there is no conflict of decisions between different Courts of Appeal, on the same, or even similar matter; having shown that the decisions relied on by Petitioners are wholly irrelevant to the merits of the Petition and to the merits of the cause, as a whole, and having shown that Petitioners failed to show any grounds on which the concurrent findings of the two courts below can be assailed, Respondent respectfully prays that the judgment of the Court of Appeals for the Third Circuit be affirmed and that the Petition be dismissed with costs taxed against Petitioners.

Respectfully submitted,

LOUIS NECHO,
Counsel for Respondent.

Louis Necho

APPENDIX.

SECTION 32, ACT OF JULY 5, 1946 (U. S. C. TITLE 15, SEC. 1114(1)).

(1) Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided, except that under subsection (b) hereof the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers.

SECTION 33, ACT OF JULY 5, 1946 (U. S. C. TITLE 15, SEC. 1115).

(a) Any certificate of registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this act and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the certificate subject to any conditions or limitations stated therein, but

shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 15 hereof, the certificate shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate subject to any conditions or limitations stated therein except when one of the following defenses or defects is established.

SECTION 16, ACT OF FEBRUARY 20, 1905 (FORMERLY U. S. C. TITLE 15, SEC. 96).

U. S. C., Title 15, Sec. 96. That the registration of a trademark under the provisions of this act shall be prima facie evidence of ownership. Any person who shall, without the consent of the owner thereof, reproduce, counterfeit, copy, or colorably imitate any such trade-mark and affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduction, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner thereof; and whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment therein for any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.

FILED
MAR 2 1956
HAROLD B. WILLEY, Clerk

IN THE

Supreme Court of the United States

Term

No. 729

THE NATIONAL DRYING MACHINERY CO.,
Petitioner,

v.

NATIONAL DRYER MANUFACTURING CORPORATION, NATIONAL DRYER SALES CORPORATION, and JACK ACKOFF, individually, and trading as JACK ACKOFF COMPANY,
Respondents.

PETITION OF THE NATIONAL DRYING MACHINERY CO. FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

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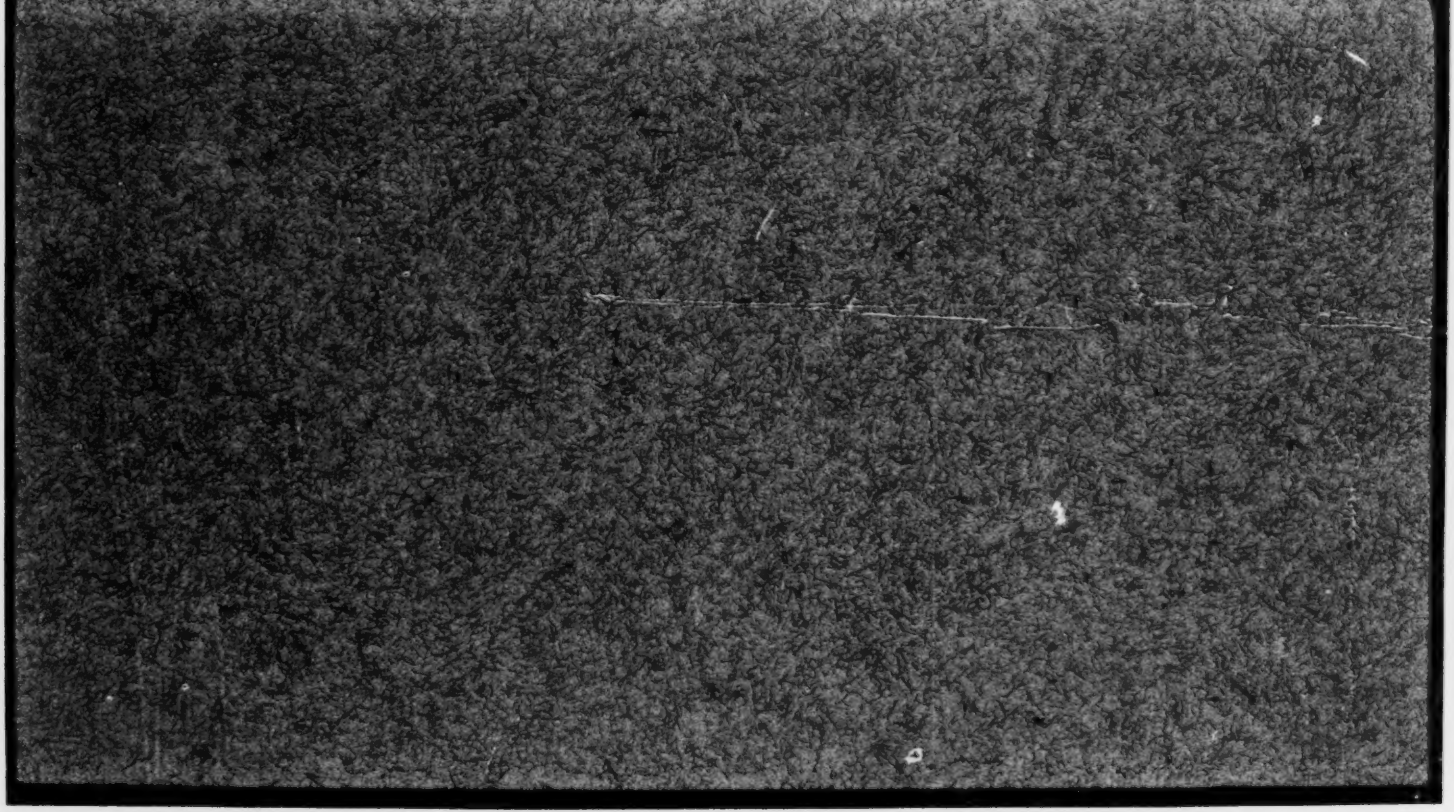

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TITION OF THE NATIONAL DRYING MACHINERY CO. FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

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the Honorable, the Chief Justice, and the Associate Justices of the Supreme Court of the United States:

The petition of the National Drying Machinery Co., for writ of certiorari to review a judgment of the United

States Circuit Court of Appeals for the Third Circuit respectfully represents.

(a) OPINIONS BELOW.

The opinion of the District Court is reported at 129 F. Supp. 389 and the opinion of the Court of Appeals is unreported. Copies of both of said opinions are hereto appended.

(b) JURISDICTION.

The grounds on which jurisdiction of this Court is invoked are:

(1) The Judgment sought to be reviewed is dated, December 22, 1955.

(2) There were no orders regarding re-hearings or extensions of time within which to petition for certiorari.

(3) The Act of June 5, 1948, c. 646, 62 Stat. 928; 28 U. S. C. 1254.

(c) QUESTIONS PRESENTED.

The questions presented for review are:

(1) May a court, in exercising its discretion, go so far as to nullify a *positive* mandate of Congress, *positively expressed?*

(2) May an infringer who deliberately and defiantly continued to use the *identical* mark of registrant, after being requested to desist, and in the face of actual con-

fusion, be excused from payment of any remuneration to a trademark owner (other than the ordinarily taxable costs) even though the registrant was compelled to spend a very large sum of money in defending his lawful rights to the mark?

(3) Is it equitable for a court not to assess any profits, or counsel fee, against a deliberate and defiant infringer in the *absence of any mitigating* circumstances or other equitable considerations operating in favor of the infringer?

(4) Is the refusal of a court to assess any profits or counsel fee against an infringer who deliberately and defiantly appropriated Registrant's *identical* mark, and continued to do so even after being shown concrete evidence of confusion, calculated to promote decency and honesty?

(5) Does not the immunity against financial loss thus vouchsafed a deliberate and defiant infringer encourage an unscrupulous party, who can afford to spend money on litigation, to steal the valuable mark and good will of a small concern which, knowing it will not be reimbursed, is compelled to give up its mark rather than face unbearable litigation expenses?

(d) STATUTE INVOLVED.

The applicable statute is the Act of July 5, 1946, 60 Stat. 427; 15 U. S. C. Sec. 1051 et seq., Sec. 1115, the pertinent portion of which reads as follows:

> "(a) Any certificate of registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this act and owned by a party to an action shall be admissible in evidence and *shall be prima facie evidence of registrant's exclusive right to use the regis-*

tered mark in commerce on the goods or services specified in the certificate subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered." Emph. Supp.

and Sec. 1117, the pertinent portion of which reads as as follows:

"When *a violation* of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this Act, the plaintiff *shall* be entitled, subject to the provisions of Section 29 and 32 (1) (b),[4] and *subject to the principles of equity,* to recover (1) defendant's profits. (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court *shall* assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant *must* prove all elements of cost or deduction claimed. In assessing damages the court *may* enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive, the court *may in its discretion* enter judgment for such sum as the Court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty." Emph. Supp.

(e) STATEMENT OF THE CASE.

Petitioner has used NATIONAL as a trade mark for all of its many kinds of drying machines and as the dominant part of its business name since 1920. The mark was registered, as a technical mark, under the *Act of 1905* (116a), and is now registered, as a technical mark, on the *Principal Register* under the Act of 1946 (117a). On September 18, 1951, Petitioner wrote to Respondents requesting them to stop using the mark on drying machines. Respondent refused to desist and later on wrote to Petitioner that they would not stop until "a court of last resort" told them to. Petitioner then brought suit against Respondents' predecessor in the District Court of the United States for the Southern District of Illinois, but, due to a change in the corporate structure of Respondents' predecessor, that suit was dismissed on the ground of improper service, but without prejudice. Petitioner next brought suit in the District Court for the District of New Jersey against Eastern Enterprises, then the exclusive Distributor of Respondents. Respondents at first undertook the defence of this suit to the extent of retaining counsel and taking Petitioner's deposition, and then, for reasons which have no bearing on the present issue, Respondents herein abandoned the defense of Eastern Enterprises and that suit was terminated by a consent decree in favor of Petitioner, herein. Petitioner next brought suit in the United States District for the Eastern District of Pennsylvania, against Jack Ackoff who had just become a distributor for Respondents, and during the pendency of this suit, Respondents, the National Drying Manufacturing Corp. and National Dryer Sales Corporation, who had assumed the defence of Ackoff, brought a suit of their own seeking to enjoin Petitioner from using its *own* mark NATIONAL on hand or hair drying machines. Petitioner's action against Ackoff and Respondents' action

against Petitioner were tried together, and the District Court entered two decrees, both dated April 27, 1955, one enjoining Ackoff and the other enjoining the other two Respondents herein.

Respondents herein have already petitioned This Court for a writ of certiorari to review the Judgment of the Court of Appeals for the Third Circuit which affirmed these two decrees of the District Court. Their petition is No. 662, October Term 1955. With that petition there was filed all the printed appendices used in the Court of Appeals. With the permission of This Court, these appendices are, by reference, hereby incorporated in this Petition.

In the decree enjoining National Dryer Manufacturing Corporation and National Dryer Sales Corporation, the District Court also ordered them to pay to Petitioner herein all of their profits from January 1950 to date. On a Motion to Modify Decree, the District Court on May 10, 1955, filed a second opinion in which it struck out the award of profits from its original decree. Petitioner now seeks a review of the order striking out the award of profits.

(f) BASIS OF JURISDICTION.

The Courts below had jurisdiction because a federal statute was involved.

(g) REASONS FOR GRANTING WRIT.

The reasons relied on for the grant of the Petition are:

(1) Sec. 1117 of the Act, supra, *for the first time,* subjects the assessment of profits to "the principles of equity", and, Petitioner does not know of any case, de-

cided by This or by any other court, which clearly defines the meaning of this phrase. Since the award of the denial of profits is of very great importance, a clear cut and controlling ruling by This Court is urgently needed.

(2) Petitioner knows of no case, like the one at bar in which the infringer used the Registrant's identical mark, on the *goods specified in a registration on the principal register* and defiantly continued to use it after notice and after being shown concrete evidence of confusion in the trade, and where the conduct of the owner of the mark has been above reproach, in which the infringer was let off with nothing more than an injunction. It is therefore urgently necessary that this Court lay down a controlling rule as to whether, in a case like this, the "principles of equity" operate to protect the wrong doer or to compensate and make whole the wronged party.

(3) The courts below based their denial of profits, inter alia, on the decision of This Court in *Champion Spark Plug v. Sanders*, 331 U. S. 125. Petitioner begs leave to show that there is absolutely nothing in common between the *Champion* case and the case at bar.

(4) Below, Petitioner relied, inter alia, on *Century Distillery Co. v. Continental Distilling Co.*, 205 F. 2nd 140 (3 Cir. 1953) which, in turn, was based on *Mishawaka Mfg. Co. v. Kresge Co.*, 316 U. S. 203 (1942), as being the law of the case. Petitioner begs leave to show, that the decisions of the courts below are in conflict with the rule in the *Century* case and with the ruling of This Court in the *Mishawaka* case.

(5) Letting a deliberate and defiant infringer off with nothing more than an injunction encourages an unscrupulous party who can afford the expense of a prolonged litigation to use a well established mark until an injunction is issued, years later, and thus making a profit in excess of the cost of the litigation.

(6) Letting such an infringer off with nothing but an injunction encourages an unscrupulous party to steal the mark of a concern which cannot afford heavy expenses and which would rather lose its mark than its entire business.

(h) ARGUMENT.

(1) The Statute.

Sec. 1117, supra, does not limit the recovery of profits to any specified set of conditions. Nor does it provide for payment of profits *or* damages. It distinctly awards both and, recognizing that the two are independent of each other, Sec. 1117 provides different methods for assessment of profits and damages. Respondents argued below, and with success, that to award an accounting would put a burden on Respondents to prove that they did not profit from the infringement. But, this is the *very intent* of Sec. 1117 which says that Plaintiff need *only* prove sales and the defendant *must* prove his costs. Furthermore, Sec. 1117 does not require that the trademark owner establish lost sales, or other damage before he can collect the infringer's profits. Nor, is it reasonable to hold that the trademark owner either collects both damages and profits or nothing.

The damage suffered by a trademark owner is either to its reputation from the sale of inferior products by the infringer or it is a financial loss from lost sales. On the other hand profits are made by the infringer independently of the trademark owner, and, therefore, there is absolutely no connection between the damage suffered by the trademark owner and the unjust profit made by the infringer. If the statute ordered both profits and damages, it is not seen how any court can refuse, in the absence of other factors, to award profits merely because the trademark owner did not also actually lose any sales. If anything, it should be the other way around. Indeed, the practice of awarding profits,

on top of damages, and possibly trebled damages, is inequitable as it might destroy the infringer and unduly enrich the trademark owner. It is when the infringer does not have large damages to pay that profits can be assessed so as to *compensate* the wronged party without working undue hardship on the wrong doer. This is the essence of equity.

Furthermore, Sec. 1117, supra, says that the Plaintiff "shall" be entitled to profits and that the court "shall" assess the same. Further on, the same section says that the court "may" treble the damages. The use of "shall" twice in one part of the section and the use of "may" in the part immediately following clearly show that Congress intended positively to *order* the award of profits and damages and only to *permit* the trebling of damages. A further example of deliberate choice of language by Congress can be found in the patent statute, U. S. C., Title 35, Sec. 283; 66 Stat. 812, in which Congress provided that courts "may" grant injunctions *in accordance with the principles of equity,* and in Sec. 284 of Title 35 it ordered that the Court "shall" award the claimant damages adequate to compensate for infringement. * * * Emph. Supp. We know of no patent case where the owner of the patent was denied the profits of the infringer only because the patentee had never made or sold the patented device and, therefore lost no sales.

Since, in using "shall" Congress positively ordered profits to be assessed, it is respectfully submitted that the courts are without power to nullify this positive order merely because Congress authorized the courts to exercise discretion in enforcing the order so as to avoid undue hardship which may result from a too literal application of the order.

(2) The Principles of Equity.

Equity holds that there is no injury without a remedy. In the dictionary, the word "equity" is equated with the word "fair" and undoubtedly, its use by Congress was

merely intended to authorize the Court to take into consideration whatever equitable factors may attend a given case, so as to arrive at that which is fair. Here, it behooves us to ask another question: Is it fair to let Petitioner herein shoulder the *heavy expenses of a litigation forced on him by the arbitrary decision of Respondents to use Petitioner's identical mark until a "court of last resort" should order them not to do so?* Apparently, when Respondents wrote Petitioner to this effect, they had already made up their mind to take advantage of their right to appeal to the Court of Appeals and of their right to approach the bar of this Court, either in the hope of inducing Petitioner to give up, or to prolong, to the limit, the time during which they could continue to sell under Petitioner's mark and to benefit from its diffused good will.

As above pointed out, in a case where the infringement was innocent or short-lived, or where it was shown that the infringer actually lost money so that an accounting would be a waste of time for both sides, as in the case of *Q-Tips v. Johnson & Johnson,* 206 F. 2nd 969 (C. A. 3rd 1948), or in a case where the conduct of the owner of the mark left much to be desired, as in the case of *Notaseam Hosiery Co. v. Straus,* 240 U. S. 179 (1916), the Court would be justified in refusing to award profits or damages. This cannot possibly be true in the case at bar in which no such mitigating circumstances are present.

The key to the decision of the District Court appears near the end of its opinion "Sur Motion to Modify Decree" where the Court said:

> "To allow counterclaimant (Petitioner herein) the accounting for which it asks would be in effect to allow it the profits from an extensive business in which it had never invested a cent of money or taken any risk. To say the least, such an order would be a windfall."

This doctrine is as erroneous as it is novel and should be squashed by This Court before it can spread. There is no

place here to discuss its implications or its conflict with other decisions in full. We can only point out the following highlights.

(1) The principles of equity, which the District Judge relied on in the earlier part of his opinion, are ample to prevent the plaintiff from getting a windfall because the court need only award the trademark owner an appropriate percentage of the profits shown by the accounting.

(2) The accounting may show the profits to be such that, even if the trademark owner got them all, they would not cover the litigation expenses.

(3) An accounting is merely an exploration to see what the equities are. In the absence of any of the reasons above mentioned which conclusively justify refusal of accounting out of hand, it should be permitted.

(4) Even if there is going to be a windfall, is it not equitable that it should go to the wronged party and not the wrong doer?

Respondents contended, and the Courts below agreed, that, in the absence of proof *at the trial* as to loss by the trademark owner, or as to profit by the infringer, no accounting will be ordered. To Petitioner this looks like putting the cart before the horse. In a statutory infringement case, such as this, the purpose of the initial trial is to determine whether there was infringement or not because, forsooth, if the trademark owner does not prevail, all effort expended on proving his loss or the infringer's profits are wasted and any prying by the trademark owner into the profits of the infringer would be impertinent and would be ruled out as such. It is only in common law, unfair competition cases where actual palming off and loss of sales and actual, not constructive, confusion must be proved that inquiries into costs, prices, methods of operation, the rise or fall of sales, etc. are proper.

The District Court also relied on the *Champion Spark*

Plug case, supra, in which This Court noted that the defendant was selling reconditioned spark plugs which had the name Champion indelibly impressed thereon; that the defendant was like someone selling second hand Ford cars, that he was not guilty of any fraud or misrepresentation, and so forth. It is not seen how a decision based on these decisively mitigating circumstances can be used as authority for categorical denial of accounting in the absence of any mitigating circumstances.

(3) Fraud.

It is true that, in the case at bar, there is no evidence of *actual* fraud. But, according to the emphatic ruling of This Court in the *Mishawaka* case, supra, and other decisions, constructive fraud is chargeable to Respondents. In the *Mishawaka* case, This Court said:

> "Fraudulent intent must be shown by the evidence or be *inferable* from the circumstances in cases of *unfair competition,* but, where one uses the *trademark* of * * * a competitor, *fraud will be presumed.* No one has the right to use the *technical* mark of another in connection with like goods, but if he *does and persists after being* notified to desist fraud and imposition, which constitute the essence of the injury, will *be presumed* and relief granted. Laurence Mfg. Co. v. Tennessee Mfg. Co. (38 M. S. 537; 11 S. Ct. 396; 34 L. Ed. 997; McLean v. Fleming, 96 U. S. 245; 24 L. Ed. 828; H. E. Winterton Gum Co. v. Autosales Gum Chocolate Co., 211 F. 612 (6th Circ.).
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> * * * * * * * * *
>
> In the absence of his proving the contrary, it *promotes honesty* and comports with experience to assume that the wrongdoer who makes profits from the sales of goods bearing a mark belonging to another was enabled to do so because he was drawing upon the *good will generated* by the mark." Emph. Supp.

See Sec. 729 of the Restatement of the Law of Torts to the effect that, in determining the intention of the infringer to pirate the good will of the trademark owner, the degree of similarity of the marks is a factor. In the case at bar, the marks are identical.

The District Court also dismissed the *Century* case, supra, on the ground that:

> "Judge Maris (then District Judge, and now on the Circuit Court of Appeals) ordered an accounting upon a finding of infringement *without discussing the question whether there were any profits or damages to be accounted for or whether the equities of the case demanded it.* It is possible that he did so on the theory that accounting would follow automatically upon the decree." Emph. Supp.

The fact that Judge Maris did not discuss his reasons for the award is immaterial. This aside, the District Court contradicted itself by saying that, in the *Century* case, there was a "definite finding by the Court of the existence of competition between the two products involved, a finding which almost postulated damages, if not profits and which give a basis for the exercise of the Court's discretion to grant an accounting." This must be due to a lapse of memory after the passage of many years because Petitioner checked the typewritten record of the original trial of the *Century* case, before Judge Maris, and is ready to produce it in This Court to show that no such evidence was produced at that trial at the end of which Judge Maris ordered the accounting. The evidence of competition referred to in the opinion of the District Court of May 10, 1955, is the evidence produced before the Master *during the accounting proceedings,* and was not before Judge Maris when he first referred the case to a master to take and state an account.

As to lack of proof at the trial that Petitioner suffered any damages as a result of the infringement, the Petitioner

again refers to the *Mishawaka* case, supra, in which This Court, referring to the susceptibility of people to the psychological impact of trademarks said:

> "The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. * * * Once this is attained, the trademark owner has something of value. *If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.* And in this case, we are called upon to ascertain the extent of the redress afforded for infringement of a mark registered under the Trade-Mark Act of 1905. * * * If it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendant's recommendation or his reputation or for any reason other than a response to the *diffused* appeal of the plaintiff's symbol, the *burden of showing this is upon the poacher.* * * * In the absence of his proving the contrary, it *promotes honesty and comports with experience to assume that the wrongdoer who makes profits from the sales of goods bearing a mark belonging to another was enabled to do so because he was drawing upon the good will generated by that mark. Anyone who makes profits derived from the unlawful appropriation of a mark belonging to another cannot relieve himself of his obligation to restore the profits to their rightful owner merely* by showing that the latter did not choose to use the mark in the *particular manner* employed by the wrongdoer." Emph. Supp.

The Court of Appeals did not condemn the Century decision as bad law. It merely dismissed it as being "concerned with a far different factual situation." The record of that litigation shows that the only difference was that the trademarks there were different whereas in the case at bar they

are identical. In the *Century* case, the Courts held that Dixiana and Dixie Dew as used on whiskey infringed Dixie Bell and Dixie Beau as used on gin. It is true gin and whiskey are both potable and when imbibed produce the same effect but no one can possibly imagine that someone in search of gin to make a Tom Collins will buy whiskey instead regardless of the name. Recognizing this, and in the face of *no evidence of substantial confusion, even after the accounting,* the Courts below justified the award of profits in the *Century* case on the sound and aptly stated doctrine of This Court in the *Mishawaka* case, supra, that an infringer can benefit "from the diffused good will" of the owner, and on the ground that the *sales of one product* "affect" *the sales of the other product.* It is not seen why the sale of NATIONAL dryers by Petitioner did not "affect" the sale of NATIONAL dryers by Respondents, why, in selling *drying machines* under the *identical mark of* Petitioner, Respondents did not, too, benefit from the "diffused" good will of Petitioner and why it does not justify an award of profits in the case at bar even as it did in the *Century* and *Mishawaka* cases.

(4) The Precedents.

In *Avery, et al. v. Meikle, et al.*, 85 Ky. 435 S. W. 609, the Court of Appeals said:

> "To require the Appellants to show an actual fraudulent representation made by Appellees to those who purchased their plows would be impractical and result in permitting the wrong-doer to appropriate the property of another to his own use without rendering an accounting."

The Court then went on to distinguish between unfair competition, where actual palming off—loss of sales—is

requisite, and technical trademark infringement, where actual palming off—loss of sales—is not necessary. In the *Meikle* case the registered mark was not copied in toto, as in the case at bar, but the Court, referring to *Root v. Railway Co.*, 105 U. S. 189, further said:

> "We have found no case * * * where there was a violation of a trademark and an injunction granted where the party wronged has been refused an account of profits. * * * The net profits may be recovered in equity as profits made by the use of Plaintiff's property."

In *Atlantic Milling Co. v. Rowland, et al.*, 27 F. 24, at page 25, the Court said:

> "It is argued that the evidence does not show that the *orator would* have made this profit if the *Defendant had not.* This might be true, and not affect the rights of the parties. If the *defendants made profits by their invasion of the orator's rights, the orator is entitled to them whether the same profits would have been made by the orator or not.* * * *" Emph. Supp.

In *Regis, et al. v. Jaynes, et al.*, 191 Mass. 245, 77 N. E. 774, 776, and referring to the claim of defendants that they should not be made to account for profits in the absence of any fraudulent intention on their part and because they had acted "in ignorance of the plaintiff's rights and it did not appear that any substantial injury had been done to plaintiff * * *", the Supreme Court said:

"But we do not think that defendants are protected by this principle against account of profits here in question" * * * because "* * * during the litigation, the defendants persisted in their infringement."

In *P. E. Sharpless Co. v. Lawrence, et al.* (C. C. A. 3rd Cir.), 213 F. 423, at page 426, the Court said:

> "In theory, a technical mark, like a patent right, is a species of property, and when it is invaded or appro-

priated, the owner thereof is entitled, not only to protection from further trespass, but to the recovery of the profits issuing therefrom, as incident to, and part of his property right. In suits for unfair competition, on the other hand, the complaint is not of an appropriation of a property right, but of a tort. * * *"

In *M. B. Fahey Tobacco Co. v. Senior, et al.* (C. C. A. 3rd Circ.), 252 F. 579, the defendant contended that the device by which the goods were distinguished was *not a technical trademark,* and therefore he should be held responsible for *damages only.* The Court having found that the distinguishing device was a technical mark, went on to say:

"* * * since the defendant infringed the plaintiff's trademark, profits as well as damages are recoverable. * * *"

The mark in the case at bar is registered as a technical mark.

In *Anchor Stove and Range Co. v. Rymer, et al.,* 97 F. (2) 689 (6th Circ.) cert. den. 305 U. S. 653, at page 690, the Court said:

"Since the decision in Hamilton-Brown Shoe Co. v. Wolf Bros., 240 U. S. 251; 36 S. Ct. 269; 60 L. Ed. 629, and by analogy to relief granted in patent and trademark cases, it is clear that the infringer may be required in equity to account for and yield up his gains."

In *Simmons Co. v. Royal Bedding Co.,* D. C. Pa., 5 F. Supp. 946, damages and profits were awarded.

In *Lawrence-Williams Co. v. Societe Enfants Combault, et Cie.,* 52 F. (2) 774, 778 cert. den. 285 U. S. 549, the Court of Appeals for the 6th Circuit said:

"Another contention as to profits is that profits for trademark infringement should be given only where the infringement has been willful. We do not understand

> upon what theory the profits should be so confined and do not get anything satisfactory to that effect from the authorities cited. * * * Defendant knew all the facts and, under a mistaken view of the law, claimed the trademark for itself. Its use of the mark was deliberate. * * * Such infringement is about the same as where a defendant infringes a patent under advice of counsel, that it is invalid."

In this case the award of profits was upheld even though "Plaintiff was *not* carrying on its business and therefore would *not* have made the profits."

In the case at bar the infringement was worse than willful.

In *Hamilton Brown Shoe Co. v. Wolf Bros. & Co.*, supra., the mark of complainant was The American Girl, and the mark of the defendant was The American Lady, and the U. S. Supreme Court at page 259 said:

> "Having reached the conclusion that complainant is entitled to use the words The American Girl as a trademark, it results that it is entitled to profits acquired by defendant from the manifestly infringing sales under the label American Lady. * * * The right to use a trademark is recognized as a kind of property. * * * The infringer is required in equity to account for and yield up his gains to the true owner, a principle analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the cestui que trust. * * *"

It will be noted that "American Girl" is at least "as weak" if not weaker than "National".

CONCLUSION.

In conclusion, Petitioner submits that:

(1) This case rests on a new statute which has not yet had the benefit of settled construction by This Court or by the courts below.

(2) The point at issue is important to Petitioner and settling it will be of great value and assistance to the Courts below, to the bar and in industry as a whole.

(3) The decision sought to be reviewed is in conflict with the decision of This Court and with other decisions by the Third and by other Circuit Courts of Appeal.

In view of the foregoing Petitioners pray that a Writ of Certiorari be issued.

Respectfully submitted,

LOUIS NECHO,
Counsel for Petitioner.

APPENDIX.

OPINION, KIRKPATRICK, C. J., OF DISTRICT COURT SUR PLEADINGS AND PROOF.

In Appeal No. 11,641.

(Civil Action No. 15,589.)

Before KIRKPATRICK, Ch. J.

The plaintiff is engaged in manufacturing hot air drying machines for industrial use, principally in the textile field. Ackoff, the record defendant, sold electric hand dryers manufactured by National Dryer Manufacturing Corporation and distributed by National Dryer Sales Corporation. He has raised a number of defenses and filed a counterclaim based on the activities of his suppliers, and, so far as the trademark phase of this case is concerned, it will simplify the discussion if these two companies are treated as one and called "the defendant".

The plaintiff has been continuously engaged in business (under the same business name) and has been using its trademark upon its drying machines since at least 1929. The trademark was registered under the Act of 1905 and was, on March 25, 1952, re-registered under the Act of 1946. As registered, it consists of the word "National" in capital letters printed in an irregular line across an outline map of the United States. The registration, however, disclaims the map and the plaintiff relies entirely upon the word "National". The defendant and its predecessors have manufactured and sold their hand dryer since 1948 or thereabouts and, since January 1950 the defendant has continuously used the words "National Dryer" as its trademark.

I find it to be the fact that use by the defendant of its

trademark has caused confusion and deceived prospective purchasers as to the source or origin of the defendant's machines and that it is likely to continue to do so in the future. This is the basis for liability under the Act of 1946. That Act dropped the limitation contained in the corresponding section of the Act of 1905 to the effect that the defendant must have used the registered mark on merchandise of substantially the same descriptive properties as those set forth in the registration. There is a difference of judicial opinion as to the limits of protection given to a trademark. Even under the narrowest view—the one which accords protection only in cases where there is not only a likelihood of confusion of source but also actual competition in the trademarked articles—a manufacturer will be protected if the product on which his trademark is being used by another is fairly within the normal field of expansion of his business, because it would be natural for purchasers acquainted with the former business and the mark to assume that the new product bearing the same mark was produced by the same manufacturer.

In the present case the defendant's argument is, in effect, that the evidence produced by the plaintiff of actual instances of confusion is so slight as to be negligible and that likelihood of confusion is negatived by the difference in the articles sold by the parties, the methods of merchandising and the class of customers addressed by each through advertising and solicitation. To this the defendant adds the admitted fact that the mark is a weak one, that the defendant has without fraudulent intent built up a considerable goodwill of its own and that the plaintiff's declaration of its intention to engage in the manufacture of hand dryers competing with the defendant's is, at least, suspect. There is no suggestion that there is any real danger of the plaintiff's product being brought into disrepute by the defendant's use of the name and, actually, the case comes down to the question whether the trademark owner will be protected in a field which he has not actually entered, and this

in turn depends upon whether the field is one which might be considered in the line of normal expansion of his business.

Many of the facts upon which the defendant relies may be admitted. The plaintiff's business, as of today, is almost exclusively confined to large expensive drying machines which are commonly manufactured according to the individual needs of the purchaser and are intended for use in connection with industrial processes. The defendant manufactures a small, comparatively low-priced item which it markets through distributors for the retail trade, the ultimate customers being, generally, hotels, schools, public institutions and the like, and some industrial plants.

It is an impossible task to draw from the precedents a rule which will fit every case as it arises. I can only say that, from all the evidence, I have reached the conclusion that the manufacture of hot air hand dryers is a field so closely connected with what the plaintiff is doing at the present time that it can be considered an area of normal expansion of the plaintiff's business.

It must be conceded that "National" is almost as weak a mark as can be found. However, it is quite likely that a purchaser would have some difficulty in explaining which product he desired if he should try to identify it by its trade name. He would have to ask for prices on a "National" dryer as distinguished from a "National Dryer" dryer or vice versa. If a trademark, however weak, is to retain any validity, a manufacturer must be protected against a competitor's placing his customers in such a dilemma.

As to the special defenses raised by the defendant, the evidence falls short of sustaining any of them.

I find that the plaintiff's claim is not barred by laches, that the plaintiff is not estopped in this action by acquiescence in the defendant's use of the mark and that there has not been on the part of the plaintiff such acquiescence in the use of the mark by persons other than the defendant as would amount to abandonment or loss of the right to enforce the mark.

I do not find that the defendant has ever attempted the fraudulent use of the trademark or that it adopted it with any intention of misleading customers or palming off its machines as the plaintiff's, but neither can I find that its use has been innocent. It certainly used the mark after it knew or should have known of the plaintiff's rights. Whether it did so in "good faith" depends upon what meaning one gives that somewhat elusive term. At any rate, it is no defense that it ill-advisedly continued to assert rights to which it may have honestly believed it was entitled but which it did not have.

The present suit was instituted against Jack Ackoff who was selling the alleged infringing goods in this district. In late July or August 1953, he entered into negotiations looking toward his becoming the exclusive agent for the sale of the hand dryers in this territory. However, before binding himself to a fixed quota, he wished to test the product in the market. As a result, he acted as an exclusive agent from August 1953 until February 1954 at which time he concluded that the line could not well be handled by him, and his exclusive agency terminated. He continued thereafter as a retail dealer for a few months and then broke off his relationship with his suppliers entirely. His answer and counterclaim raised certain issues of laches and prior use by his suppliers, etc., which it is doubtful that he could raise unless he were an exclusive agent. However, though I have found these defenses were without merit and that the counterclaim cannot be sustained, I should add that they are not subject to dismissal because of his inability to avail himself of them.

In spite of the fact that Mr. Ackoff no longer handles the infringing dryer, an injunction will issue against him in view of the distinct possibility that he would again do so. In view of the fact that the plaintiff does not at the present time manufacture any goods which would compete with the goods Mr. Ackoff sold, I cannot award the plaintiff more than nominal damages. However, I do award the plaintiff

the costs of this suit, since at the time it was instituted and carried on Mr. Ackoff was engaged in the wrongful activity complained of.

Judgment may be entered for the plaintiff.

The statements of fact and law in the opinion are to be taken as modifying the answers to requests for findings of fact and conclusions of law and, in case of any conflict between the answers and the opinion, the statements in the opinion shall govern.

PLAINTIFF'S REQUESTS FOR FINDINGS OF FACT.

Nos. 1, 2, 5, 14, 16, 17, 21, 22, and 24 are affirmed.

Nos. 4, 6, 8, 9, and 10 are not answered since they are not requests for fact findings.

Nos. 11, 12, and 15 are affirmed except for the first sentence of each.

No. 3. Not answered. It is adequately covered in answers to other requests.

No. 7. Affirmed, striking out the last part of the request beginning "and wilfully and wantonly". This is adequately covered in the opinion.

No. 13. Denied.

No. 18. Affirmed with the qualification that "National" is a *part* of the trademark of the Sales Company. See opinion.

No. 19. They are substantially the same.

No. 20. Not answered as immaterial.

No. 23. Affirmed, changing the word "or" the first time it appears to "and".

No. 25. Affirmed, but limited to trademarks on drying machinery.

DEFENDANT'S REQUESTS FOR FINDINGS OF FACT.

Nos. A1, A3, A4, A5, B3, B4, B5, B6, C1, C2, C3, D1, D3, D4, F2, F4, F5, F6, and F7 are affirmed.

Nos. D5, E1, E2, E3, E4, and E5 are not answered since they are not requests for fact findings.

No. A2. Affirmed with the qualification that its production is not limited to the assembling of standard parts and it has produced a few clothes dryers. The Court does not wish to adopt the word "commercially", since its meaning is too indefinite.

No. B1. Affirmed, changing the word "Machinery" to "Manufacturing" wherever it appears in the request.

No. B2. The facts stated are correct. The motives are immaterial other than that the persons who chose the names thought them suitable and, except for the Sales Company, there is no evidence to show that they knew of the National Drying Machinery Company.

No. D2. Affirmed as stated.

No. E6. Denied.

No. F1. Affirmed as qualified by the discussion in the opinion.

No. F3. Affirmed, but it must be borne in mind that pressing requires the drying of the material and this press was not intended as a dryer in any other sense.

PLAINTIFF'S REQUESTS FOR CONCLUSIONS OF LAW.

Nos. 1, 2, 3, 5, 9, 10, 13, 14, 17, 20, and 24 are affirmed.

Nos. 4, 7, 8, 12, 19, and 21 are denied.

No. 6. Denied, there is no evidence of unfair competition except trademark infringement.

No. 11. See opinion.

No. 15. Affirmed, striking out the last sentence.

No. 16. Affirmed, changing "any type of dryer" to "these types of dryers".

No. 18. Affirmed, but limited to use of the word as a trademark.

No. 22. Affirmed, striking out "and other types of dryers". This is not intended as a limitation on the scope of the trademark, but the Court can only decide cases presented to it.

No. 23. Not answered, covered in the opinion.

No. 25. Not answered.

DEFENDANT'S REQUESTS FOR CONCLUSIONS OF LAW.

Nos. 1, 2, 5, 6, and 7 are denied.

No. 3. Affirmed.

No. 4. See opinion.

OPINION, KIRKPATRICK, C. J., OF DISTRICT COURT SUR MOTION TO MODIFY DECREE.

(In Appeal No. 11,640.)

(Civil Action No. 16,518.)

Before KIRKPATRICK, Ch. J.

The Lanham Act, 15 U. S. C. 1117, provides that the right to recover profits against a trademark infringer shall be "subject to the principles of equity". It seems to be definitely settled since Champion Spark Plug Co. v. Sanders, 331 U. S. 125, that an accounting for profits does not automatically follow a judgment of infringement. The "principles of equity" give the Court a very wide discretion and, as appears from the opinion in the case cited, the Court may base its discretion upon a wide range of considerations. Thus, in that case the Court pointed out that there had been no showing of fraud or palming off, that the respondents had for several years apparently tried to comply with a cease and desist order of the Federal Trade Commission which would have eliminated any possible imposition upon the public as to the secondhand character of the goods, and that the likelihood of damage to the petitioner or profit to the respondents seemed slight. Thus, not only the probabilities as to the existence of profits and damages were considered but also the nature of the infringement, the absence of fraudulent intent and what was done by the respondents in order to avoid misleading the public.

It is true that in Century Distilling Co. v. Continental

Distilling Corp., 205 F. 2d 140, Judge Maris ordered an accounting upon a finding of infringement, without discussing the question whether there were any profits or damages to be accounted for or whether the equities of the case demanded it. It is possible that he did so on the theory that accounting would follow automatically upon the decree. However, in the Century case there was a definite finding by the Court of the existence of competition between the two products involved, a finding which almost postulated damages, if not profits, and which would give a basis for the exercise of the Court's discretion to grant an accounting.

In the present case the products are not the same and there is no competition between them. The injunction was granted to protect the counterclaimant against competition by the plaintiff, presently nonexistent, but which would arise if and when the counterclaimant should decide to enter upon a field closely related to that in which it was doing business, but in which it had not made or sold a single article.

I am of the opinion that the injunction is all that is needed in order to give the counterclaimant in the present case complete relief and, further, that the principles of equity would not justify me in awarding an accounting for profits (there having been no proof whatever of any damages) in the sale of goods which the counterclaimant has never manufactured or sold. To allow the counterclaimant the accounting for which it asks would be in effect to allow it the profits from an extensive business in which it had never invested a cent of money or taken any risk. To say the least, such an order would be a windfall.

The final decree entered in this matter is amended by striking out "The plaintiffs are ordered to pay to the defendant all their profits from the sale of drying machines from January, 1950, to date."

OPINION OF THE COURT OF APPEALS.

(Filed December 22, 1955.)

Argued December 5, 1955.

Before: McLAUGHLIN, KALODNER and HASTIE, Circuit Judges.

PER CURIAM.

These three appeals arise out of two cases which were consolidated for trial. In No. 11,641, National Drying Machinery sued Jack Ackoff, individually and trading as Jack Ackoff Company, as distributor for National Dryer Manufacturing Corporation and National Dryer Sales Corporation. That suit was started on July 23, 1953. It charged Ackoff with unfair competition and trade-mark infringement in the use of the word "National" in connection with the sale of an electric hot air hand dryer. On March 12, 1954, the manufacturing corporation and the sales corporation sued the machinery company seeking a declaratory judgment that they were not violating any rights of the machinery company and an injunction against the latter from using the word "National" in the hand dryer field. The machinery company in its answer and counterclaim asserted its right to the use of the word "National" on drying machines and asked for an injunction against the manufacturing and sales corporations including restraint from using the word "National" as a trade-mark for any type of drying machines.

In both cases Chief Judge Kirkpatrick decided that the machinery company is the sole owner of the trade-mark National as applied to drying machines. Ackoff in No. 11,641 and the manufacturing and sales corporations in No. 11,639 were held to have infringed the statutory and

the common law rights of the machinery company. They were all perpetually enjoined from selling or in any way dealing with drying machines under the trade-mark National or any business name which includes the word National. In the second suit, originally the decree ordered the manufacturing and sales corporations to pay the machinery company all their profits from the sale of drying machines "[f]rom January 1950 to date." Later the trial court amended the decree by striking that language. It is from this action of the district court that the machinery company appeals in No. 11,640.

From our review of the record we are satisfied that it furnishes strong support for the decision of the district court as to the ownership of the trade-mark National by The National Drying Machinery Company and that Jack Ackoff, individually and trading as Jack Ackoff Company and National Dryer Manufacturing Corporation and National Dryer Sales Corporation infringed the statutory and common law rights of the machinery company.

With respect to the machinery company's claim for profits, the trial court is correct in its finding that there is no proof of any damages suffered by that concern and that the injunctions granted afford it complete relief. Under the equities of these cases the trial court's disallowance of an accounting of profits was proper. Champion Spark Plug Co. v. Sanders, 331 U. S. 125 (1947). Cf. Mishawaka Mfg. Co. v. Kresge Co., 316 U. S. 203 (1942). Century Distilling Co. v. Continental Distilling Co., 205 F. 2d 140 (3 Cir. 1953) concerned a far different factual situation. It does not conflict with the above holding.

The denial of the motion on behalf of the machinery company for an allowance of counsel fees was well within the discretion of the trial court.

The decrees in these cases will be affirmed.

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

MAR 23
HAROLD B. WILL

IN THE

Supreme Court of the United States

October Term, 1955.

No. 729.

THE NATIONAL DRYING MACHINERY CO.,
Petitioner,

v.

NATIONAL DRYER MANUFACTURING CORPORATION, NATIONAL DRYER SALES CORPORATION, and JACK ACKOFF, Individually and trading as JACK ACKOFF COMPANY,
Respondents.

RESPONDENTS' BRIEF CONTRA PETITION OF THE NATIONAL DRYING MACHINERY CO. FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

DANIEL MUNGALL, JR.,
JAMES E. GALLAGHER, JR.,
1222 Western Saving Fund Bldg.,
Philadelphia 7, Pa.,
Counsel for Respondents.

International, 236 Chestnut St., Phila. 6, Pa.

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COUNTERSTATEMENT OF THE QUESTION INVOLVED.

Is the owner of an infringed trade-mark entitled to an accounting of the profits of the infringer and an award of attorneys' fees where the infringer began the use of the infringing mark in good faith without knowledge of the existence of the owner or of his trade-mark, where the infringer has continued the use in the honest belief that his use did not constitute an infringement of the owner's mark, where there has been no palming off by the infringer of his goods as the goods of the owner, where the products are not competitive, where the owner has sustained no damages, and where there have been no sales by the infringer as a result of the use of the owner's trade-mark?

ARGUMENT.

It seems to Respondents that much of Petitioner's argument is addressed to the merits of Petitioner's contentions rather than to the question of whether those contentions present a matter which this Court will review on writ of certiorari pursuant to the provisions of Rule 19. In this Brief, Respondents will be concerned primarily with this latter question only.

Petitioner's objection is to the refusal of the Courts below to order an accounting of the profits of the Respondents, and Petitioner contends that this presents a question which this Court will review under Rule 19. The first question framed by Petitioner as one of the Questions Presented (Petition, p. 2) suggests that the Courts below have not observed the provisions of the 1946 Trade-mark Act relating to the ordering of an accounting for profits.

The statute provides, 15 U. S. C. Section 1117, that, when a violation of a trade-mark is established, the plaintiff "shall be entitled . . . and subject to the principles of equity, to recover (1) defendant's profits . . ." Although the word "shall" is mandatory, the entitlement is still "subject to the principles of equity". The effect of Petitioner's argument is that an award of profits is mandatory in every case of a violation of a trade-mark, but such a construction ignores the words "subject to the principles of equity". In this case, the Courts below have concluded that the principles of equity do not entitle this Petitioner to any profits of the Respondents.

In the Trade-mark Act of 1905, it was provided in Section 19 that:

> "And upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the

complainant has sustained thereby . . . " Act of Feb. 20, 1905.

The mandatory word "shall" appears in this section without the qualifying words "subject to the principles of equity". Nevertheless this Court has held in a case arising under that Act that the ordering of an accounting for profits is not mandatory and automatic upon a finding of infringement; *Champion Spark Plug Co. v. Sanders*, 331 U. S. 125, 91 L. Ed. 1386 (1947).

Throughout this case, Petitioner has argued that the ordering of an accounting for profits is required under the decision of this Court in *Mishawaka Rubber and Woolen Mfg. Co. v. S. S. Kresge*, 316 U. S. 203, 86 L. Ed. 1381 (1942). That case actually dealt with the question of the nature of the decree which should be entered when an accounting for profits is ordered. It is not concerned with the question of whether or not an order for an accounting was proper. This was made quite clear in the opinion in the *Champion Spark Plug* case.

The language of the 1946 Act strengthens the position taken by this Court in the *Champion Spark Plug Co.* case with respect to the 1905 Act since the words "subject to the principles of equity" were added. The interpretation of the 1946 Act insofar as it relates to an accounting for profits does not, therefore, present a question of the type contemplated by Rule 19.

Petitioner also contends that the refusal to order an accounting was a denial of equity and that this presents a question which this Court will review. In the first place, the question of whether or not principles of equity require the ordering of an accounting for profits in a particular case is dependent upon the factual situation in each case, and it hardly seems that the granting or refusing of such an order is a question which this Court will review under Rule 19.

In the second place, the facts of this case are such that the denial of an order for the accounting of profits was

entirely correct. The Petition implies that the actions of Respondents have been fraudulent and with an intention of taking advantage of the Petitioner's trade-mark. Such is not the fact, nor is it in accordance with the findings of the Trial Court based on uncontradicted evidence.

The Trial Court found that Respondents adopted the word "National" after investigation by counsel and without any knowledge of the existence of Petitioner, its name and trade-mark; that Respondents had no intention of trading upon the reputation and goodwill of Petitioner; and that Respondents continued to use the word after learning of the existence of Petitioner in the honest belief that they were entitled to do so (Request B-2, F-1, R. pp. 84a, 88a; Opinion, R. p, 107a). The Trial Court expressly refused to find that Respondents ever attempted a fraudulent use of the trade-mark or that they adopted it with any intention of misleading customers or of palming off their product as the product of Petitioner (Opinion R. 104a, 105a). This action of the Trial Court was justified by the evidence. In fact, there was no conflict in the evidence on these points. The case, therefore, presents an honest bona fide dispute between the litigants as to their respective rights, and does not involve any fraud.

A quotation appears on page 12 of the Petition which is ascribed to the opinion of this Court in the *Mishawaka* case, *supra*, which quotation suggests that fraud will always be presumed from the evidence of infringement of a technical mark after notice. It should be noted, however, that the first part of this quotation is not from the opinion of this Court but rather from the opinion of the Court of Appeals for the Sixth Circuit in that case, *Mishawaka Rubber and Woolen Mfg. Co. v. S. S. Kresge Co.*, 119 F. 2d 316 (C. A. 6th, 1941). This language was not used by the Court of Appeals in connection with the question of whether an accounting for profits should be ordered and thus it has no applicability even when properly identified as to its origin. In this same connection it should be noted that the material

on page 14 of the Petition which is quoted from the opinion of this Court in the *Mishawaka* case, is selected from various portions of the opinion and with substantial portions of the opinion omitted. The reading of what is quoted on page 14 of the Petition gives an entirely different impression of the decision of the Court than is gained by a reading of those sentences in their proper context in the opinion.

In this case the parties are not in competition. They do not advertise in the same periodicals. Petitioner sells its products to industrial concerns, primarily in the textile and pharmaceutical fields, whereas Respondents sell primarily to schools, public buildings, restaurants and transportation companies. There was no evidence of any sort that Petitioner ever suffered any damage as the result of the actions of Respondents. Further, there was no evidence that Respondents had ever made a sale as a result of the diffused appeal of the trade-mark in question. Petitioner made absolutely no effort to prove either damage to it or profits to Respondents.

In the present case, Respondents sell only hand dryers, and all of their profits have resulted from the sales of those dryers. If an acocunting for profits were ordered, it would appear from the *Mishawaka* decision that all of these profits would presumptively belong to Petitioner unless Respondents proved that the profits did not result from the infringement of Petitioner's mark. This would necessitate the proving of a negative and a showing that each hand dryer sale was not the result of the diffused appeal of Petitioner's trade-mark. It is obvious that this would be a costly and time-consuming task. The imposition of such a heavy burden upon an infringer without there being some showing by the owner of the trade-mark that profits had resulted from the infringement is hardly consonant with principles of equity. Thus, the Courts below were fully justified in refusing an order for an accounting of profits. At the very least, the correctness of this decision hardly raises a question within the purview of Rule 19.

Respondents submit that the Petition does not present a question of a type contemplated by Rule 19 and that the Petition should therefore be denied.

Respectfully submitted,

DANIEL MUNGALL, JR.,
JAMES E. GALLAGHER, JR.,
Counsel for Respondents.

FILED
APR 11 1
HAROLD B. WILL

IN THE

Supreme Court of the United States

October Term, 1935.

No. 721.

THE NATIONAL DRYING MACHINERY COMPANY,
Petitioner,

v.

NATIONAL DRYER MANUFACTURING CORPORATION, NATIONAL DRYER SALES CORPORATION, and JACK ACKOFF, individually, and trading as JACK ACKOFF COMPANY,
Respondents.

Petitioner's Reply Brief

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INTRODUCTION.

Petitioner had intended not to further burden this Court, but Respondents' brief makes it necessary for Petitioner to reply.

ARGUMENT.

1. On page 4 of their brief Respondents rely on their lack of knowledge of Petitioner's rights when the mark was first adopted. Respondents do not tell this Court that they never bothered to find out whether or not they had the right to adopt the mark in question. For the convenience of the Court we quote from the testimony of Respondents' witness Clemens.

"BY MR. NECHO:

Q. Tell me more specifically, if you can, just what steps were taken and by whom they were taken to ascertain whether or not the word "National" had already been used by someone else on a drying machine, or to put it in reverse, whether or not the word was available for adoption at that time by you or anyone else?

A. My counsel will answer that question for me, sir.

MR. NECHO: Now, Mr. Levinson, it is agreed you will answer this question in behalf of the witness.

Will you please tell me who took the steps and what the steps were and when they were taken to ascertain whether or not Mr. Clemens, when he first started back in 1948 or the spring of 1949, as I believe he said, had the right ——

MR. LEVINSON: Spring of '48.

MR. NECHO: Whatever it is the record will show —had the right to use the mark?

MR. LEVINSON: The first step which was taken

(25) was to check the Illinois list of domestic and foreign corporations to see if the name had been pre-empted by anyone in the field or in a related field.

Finding this not to be the case in this list, the name was pre-empted by our filing articles of incorporation with the Secretary of State. Since he had no objection, it would appear that at least on the face of it the name was available.

Now, at the same time, since although we were starting in Illinois there was the chance that we would spread over the country, I checked in both our Poor's and our Moody's to ascertain the identical question.

In my opinion, based on that search and research, there was no company.

MR. NECHO: Did you come across the name of "The National Drying Machinery Company," or they are not listed, which?

MR. LEVINSON: To the best of my recollection, I did not come across it and I assume that it was not listed.

MR. NECHO: Did you examine Dun and Bradstreet's?

MR. LEVINSON: No, I did not examine Dun and Bradstreet.

MR. NECHO: Proceed. Proceed with your answer then.

MR. LEVINSON: There is nothing more to proceed with. I examined the two sources in addition to the one previously mentioned, and found nothing.

MR. NECHO: Then it was solely on the basis of this research and nothing more that you notified Mr. Clemens that he was entitled to use the trade-mark?

MR. LEVINSON: It was on that basis.

MR. NECHO: Do you realize the difference between the use of the word "National" as a trade-mark applied to goods, as distinguished from the use of a corporate name including the word "National" for character purposes in Illinois?

MR. LEVINSON: I was interested exclusively in charter purposes for the corporation.

MR. NECHO: You did not employ the services of any patent attorney, for example, to search the records in Washington to see whether "National" (27) had been previously registered? You did not do so, in other words?

MR. LEVINSON: Previously registered in relation to what?

MR. NECHO: As a trade-mark in the Patent Office, sir?

MR. LEVINSON: On what though?

MR. NECHO: On dry (sic) machines.

MR. LEVINSON: On drying machines?

MR. NECHO: Yes.

MR. LEVINSON: On hand driers I ascertained that there was no possible conflict.

MR. NECHO: Did you have a search made in the Patent Office or not?

MR. LEVINSON: No, I did not.

MR. NECHO: You did not, nor did you have any lawyer make one?

MR. LEVINSON: I did not have any lawyer make one" (62a-65a).

Respondents, having neglected to ascertain whether the trademark was available, now want their trespass condoned because of ignorance based on negligence.

2. In its opinion, the District Court accepted, as a fact, the contention of ignorance of Petitioner's claims on the part of the Manufacturing Company, but the court expressly excluded the Sales Company, which is one of the Respondents, from whatever benefit is supposed to enure from said ignorance, 107a. Be that as it may, the fact remains that *actual* notice of Petitioner's claim was given on or about September 20, 1951. Again, for the convenience of the Court, we quote Respondents' witness Clemens.

"BY MR. NECHO:
Q. One question.
Mr. Clemens, I show you Defendants' exhibit 2-A for identification, which is presumably the letter from George Frost to you of September 20, 1951, and the second sentence of the second paragraph reads in part as follows:
'* * * although we must not overlook the fact that this Company, if it chooses, can take you into Court.'
Is that right, is that in the letter, Mr. Clemens?
A. That's correct" (71a).

3. Respondents rest their claim to financial immunity on their alleged *belief* that they had a right to continue using the mark after notice. This is the cry of every defendant in every case, and if it is a good defense, that part of the statute which awards profits ceases to subsist. But, the courts have wisely held that a trademark infringer is no better off than one who infringes a patent under advice of counsel that the patent is invalid. *Laurence-Williams Co. vs. Societe Enfants Combault, et Cie.*, 52 F. (2) 774, 778, Cert. den. 285, U. S. 549. In the case at bar, Respondents persisted in using the mark even after their own attorney had warned them that Petitioner could take them to Court.

4. As to Respondents' contention that this is not a case of which this Court will assume jurisdiction, Petitioner respectfully points out that, in the *Mischawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203, this Court assumed jurisdiction only because the decree of the Court below *improperly defined* the scope of the award. If an *improper definition of the scope* of the award of profits is sufficient to move This Court to assume jurisdiction, certainly *total denial of any award* must be equally sufficient.

5. It is highly noteworthy that Respondents make absolutely no reply to any of the cases which were cited by

Petitioner in support of the award of profits. They only refer to *Champion Spark Plug Co. v. Sanders*, 331 U. S. 125, 91 L. Ed. p. 1386 (1947), in which this Court found that an injunction sufficed because the infringer was selling second hand spark plugs from which it was impossible to remove the original name and because the infringer had done everything possible to make clear to the public that he was selling second hand plugs. Indeed, the reliance of Respondents on this one case is a measure of the weaknesss of their position.

6. Respondents also complain that it is difficult for them to prove that their sales were not aided by the diffused appeal of Petitioner's mark. It is because it is equally difficult for the trademark owner to prove that the infringer's sales were aided by the diffused appeal of the mark that Congress placed the burden on the wrong-doer where it belongs. This is why the statute only requires the wronged party to prove sales and put the burden on the wrong-doer to prove his costs. This is why Congress did *not* require the trademark owner to prove that the infringer's sales benefited from the appeal of the infringed mark and why the statute did *not* give the infringer any right to prove that his sales did *not* so benefit. In the face of all this, Respondents still assert that a trademark owner is not entitled to an accounting unless, during the trial, and without the benefit of exploration that only an accounting can vouchsafe, he shall have proved that the sales of the infringer benefited by the infringement. A more dire contradiction of the letter, and the spirit of the statute cannot be imagined.

7. Respondents now appeal to the compassion of this Court to protect them from an accounting which is costly and time consuming. But these same Respondents had neither compassion, nor ordinary run-of-the-mill scruples, when they persisted in their infringement and forced this very costly and time consuming litigation on Petitioner

who merely asked them to leave its mark alone and who, even now, is not seeking to be enriched at the expense of Respondents but, in the words of this Court in the *Mishawaka* case, supra, is only asking to be "made whole".

Respectfully submitted,

LOUIS NECHO,
Counsel for Petitioner.